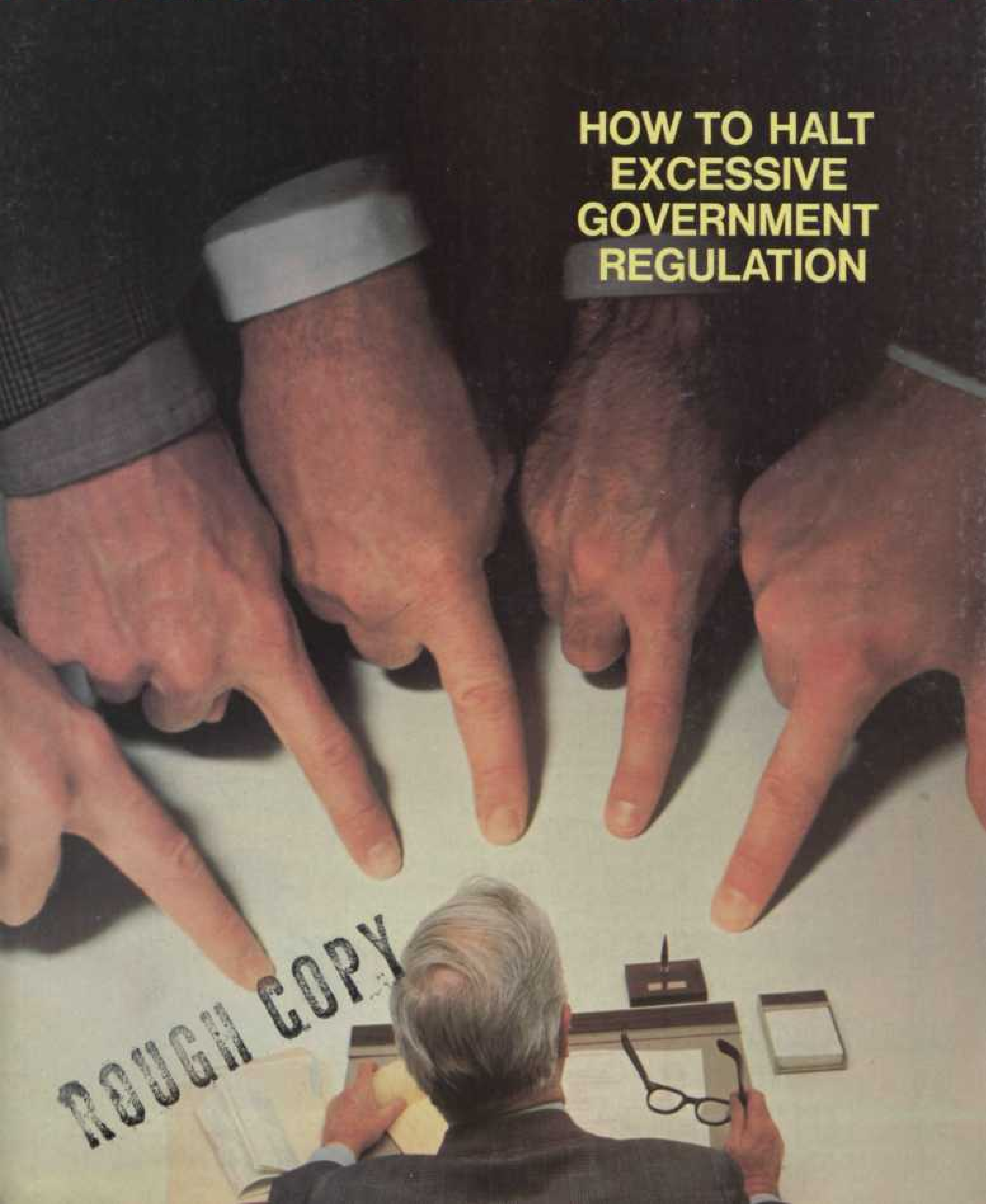
MARCH 1976

Nation's Business



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Nation's Business

VOLUME 64 · NUMBER 3 · MARCH 1976

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EDITOR'S MEMO

The Need for Fairness in Government Regulation

A CURIOUS THING is taking place along the presidential campaign trail. Almost all of the candidates —liberal and middle-of-the-road, as well as conservative—have adopted as a major theme the idea that government is too big.

That's a good sign, but the rhetoric of political candidates often bears little relation to actual practice. So far, there doesn't appear to be any tendency for big government to slow down its efforts to regulate everything—especially business.

For years, business has worried about the danger of expansive, expensive government. Businessmen have been unhappily aware that, too often, what should have been sensible, enlightened regulation has been twisted into stultifying, excessive regulation.

There is one all-important thing businessmen and businesswomen can do about the ever-growing mania in government for regulation. Donald M. Kendall, chairman and chief executive officer of Pepsico, Inc., spells this out graphically in the article, "How to Halt Excessive Government Regulation" (page 20).

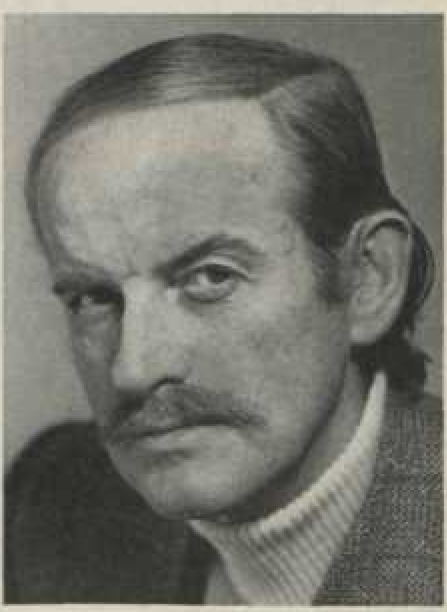
Business management must speak out, he says. "Managers," he explains, "must come out of hiding on social questions affecting their companies and industries, and they must play a more active, forthright role in public debate."

It is too easy for businessmen to feel sorry for themselves, Mr. Kendall declares. "If the story of business is not being accurately and adequately told, it is the fault of business," he warns.

You will find Mr. Kendall's views interesting and his advice sound.

Another article of particular importance to you is "What the Future Holds for Small Business" (page 25). It was written by Carter Henderson, codirector of the Princeton Center for Alternative Futures, Inc., in Princeton, N. J. He discusses seven areas he views as critical to small business in management planning over the next 25 years.

Since the vast majority of businesses in the U. S. are by definition small, anything that affects this segment of the nation will have a far-reaching impact. Also, much of what Mr. Henderson predicts would affect businesses of all sizes. So, whether your firm is large or small, you'll be interested in what he has to say.



Carter Henderson

The business person today operates in complex times, and Mr. Henderson feels it is not enough to plan ahead just a year or two.

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BY JOHN COSTELLO
Associate Editor

A Proposed Tax Change That Could Jolt You

"It's the biggest sleeper in the bill," says one expert.

He refers to a kicker in the so-called Tax Reform Act of 1975. The bill has passed the House and is now before the Senate.

The sleeper is a proposed change, little noticed outside Washington. It would put a limit, generally of $12,000 a year, on nonbusiness interest deductions for federal income taxes.

"At first blush," one tax authority says, "that proposed change doesn't sound too bad. But when you crank inflation into the calculations, it's chilling."

Deductible nonbusiness interest includes interest on home loans, auto and home appliance loans, personal loans, installment purchases, vacation loans, boat loans, and student loans. Also, interest on investments in rental and vacation homes.

And even that does not exhaust the list.

Under the new tax bill, H. R. 10612, all that interest expense would be subject to an annual limit of $12,000.

An example of how the ceiling could soon pinch home-buyers is given by a real estate man.

"The house that sold for $29,900 in 1963 costs $75,000 today," he says. "At least, that's true in Washington, D. C., and the price difference may be even greater in other growing urban areas.

"In a few more years, that $29,900 home will sell for $100,000. Inflation will take care of that."

If you buy a $100,000 house and have an $80,000 mortgage, say, at 9.5 percent, you pay $7,600 annual interest on the home loan alone.

"Add up other interest expense," a tax man says, "and it doesn't take long to bump up against the ceiling."

Under current law, there is generally no limit on the nonbusiness interest deduction. To see how the change would affect you, check line 20 of Schedule A of your federal income tax return.

What lay behind the move for the change? Here's how a House committee report puts it:

"Interest on borrowing should not be deductible where the loan proceeds are spent for items of a luxury nature.

"In other words, where the loan is used for personal purposes to provide a taxpayer with a standard of living which is clearly out of the ordinary, a deduction should not be available for interest paid on the loan."

Killing Two Birds With One Stone

Nondiscrimination is not only a virtue.

It's the law.

Many businesses use an adequate phrase to describe their allegiance to it. Namely: "We are an equal opportunity employer."

"The Alternative," a lively conservative journal devoted to democracy and the private enterprise system, goes a little further.

It is, according to its masthead:

"Published remarkably without regard to race, color, creed, or (most redundantly of all) national origin—and yes, sex, even sex."

That disclaimer should take care of the Equal Employment Opportunity Commission, the Bureau of Indian Affairs, the Justice Department's Civil Rights Division, the Commission on Civil Rights, and the Labor Depart-

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ment's Employment Standards Administration.

Maybe others.

But probably not the United States Fish and Wildlife Service or the Environmental Protection Agency.

Still, who's perfect?

What Every Woman Manager Should Know

To get promoted, women must compete—not just cooperate.

That's the advice they get from DeeAnne Rosenberg, training consultant, at popular American Management Associations seminars.

Women face special pitfalls, she adds, that men escape. Among the problems are:

- Token promotions.
- Fancy, but empty, titles.
- Becoming an executive mascot.

Here's advice that Ms. Rosenberg gives women about those problems and about how to handle them:

"To escape a dead-end, token promotion, go to your boss with a brief job description and ask him how you can improve your performance. Involve him, keep him posted on your progress, and give him credit for it.

"Then he'll have a vested interest in your performance."

Why can accepting a fancy title be a mistake?

"First of all," she says, "the woman must recognize that it means little—and she's going nowhere. Often, she's put in a brand-new, shiny job that never existed before.

"Like equal employment opportunity coordinator. There's no yardstick for performance in that job.

"The woman should aim for a job with an old, rusty title—like foreman. Everyone has a pretty good idea of what a foreman is—and what's expected of him.

"The job has some benchmarks by which success can be measured."

Decision-making, consultant Rosenberg says, is a skill women can learn only by doing.

"That's why executive mascots never learn it," she adds. "Managers never give them a chance to make decisions. Executive mascots are ornamental.

"I tell a woman to try to find out what duties her boss puts off—that means he hates to do them—and to ask to do them for him.

"Usually, he'll leap at the chance to unload. Then you have some solid responsibilities."

The woman manager's reward?

"Avoiding the sleeping beauty syndrome," Ms. Rosenberg says, "where she dreams on, doing her job, waiting for the boss to notice and promote her."

The age of discovery, Ms. Rosenberg says, is over.

Tipping and Tippling at Business Lunches

Businessmen don't overdo lunchtime imbibing.

Only half order a drink at all. Only one out of six has more drinks than one.

They're standard tippers, too. Nearly eight out of ten leave 15 percent; most of the rest tip ten percent.

These statistics show up in a survey made by the Dartnell Institute of Business Research. Executives were also asked what they spend on themselves at a lunch where business is discussed.

Here's how they replied:

Cost	Percent
Less than $3	9
$3 to $5	36
$5 to $7	19
$7 to $9	16
$9 to $11	7
$11 to $13	8
$13 to $15	5

Whatever the business lunch costs, it's worth it, most managers believe. Asked how effective these lunches are, they replied:

	Percent
Very effective	17
Somewhat effective	74
Seldom effective	9

Elmer Leterman, who has been described as one of the world's best salesmen, holds a stronger view.

"Anyone who has lunch by himself," he says, "is wasting time."

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(*Effective February 16, 1976, subject to government approval.)

Greyhound Package Express

BY JAMES J. KILPATRICK

Finding a Postal Service Solution

Back in March of 1861, the founding fathers of the late Confederate States of America began drawing up a constitution for their infant republic. Whatever may be said of their conduct in other areas, they knew their business when it came to drafting a governmental charter. They eliminated some of the most bothersome clauses of the U. S. Constitution, and they tossed in a few ideas of their own. In Article I, Section 8, dealing with legislative powers, they authorized the Confederate Congress:

"To establish post-offices and post-routes; but the expenses of the Post-office Department, after the first day of March in the year of our Lord 1863, shall be paid out of its own revenues."

The clause may explain why the Confederacy collapsed in the spring of 1865. The notion that a post office department can pay its expenses out of its own revenues has proved to be no more than a romantic southern dream. In the case of the United States Postal Service, the dream has become a nightmare.

Four and a half years after the old U. S. Post Office Department was transformed into a new quasi-private corporation, a melancholy picture has emerged. Poor as the service may have been in 1971, in the view of many observers the service is worse now. Beyond question, the service is more costly. If the Postal Service were a truly private corporation, it would be headed for the bankruptcy courts. To be sure, it is not a wholly private corporation; that is one of its problems—perhaps its most serious problem. The Postal Service is charged with a vast, sprawling, indispensable operation. Neither Congress nor the customers can find much to praise in the present performance. A new postal policy is becoming imperative.

Five years ago, when Congress was considering the Postal Service act, proponents of reorganization rested their case on three hopeful assumptions—that postal volume would continue to increase, that mechanization would solve the worst inefficiencies, and that business management would prove successful. Alas, the hopes have proved vain.

The U. S. Postal Service continues to carry an awesome volume of mail—89 billion pieces in fiscal '75. But that volume is less than the volume of 1974; it is less, even, than the volume of 1973. Except for second-class mail, every significant class of mail is trending downward.

A number of factors account for the discouraging trend. Congress may be able to rewrite the laws of continuing postal service, but Congress cannot amend the law of diminishing returns. The recent rate increase on first-class mail from ten to 13 cents will provide an increase in revenue, but it will do little to improve the bottom line. Business houses everywhere are turning to other means of distributing bills and circulars. The U. S. government itself is promoting electronic banking of Social Security checks. Wholly personal mail declines—partly as a consequence of declining literacy, partly because of low-priced telephone service. The old Post Office Department used to dominate the business of parcel delivery. No more. Private companies, chiefly United Parcel Service, have 70 percent of that business now.

Mechanization has increased. At the time of the changeover, machines were processing 25 percent of the volume. Last year, the figure was about 60 percent. Unhappily, the expected economies have not materialized. Exclusive of part-time, substitute employees, there were 546,000 regular postal employees in 1971; the regular payroll numbers 559,000 now. Many of the newly invented machines are stunningly expensive, and the Postal Service has suffered for want of investment capital. A study has indicated the Postal Service lags far behind the major utilities in capital investment per worker.

Back in 1971, there was a great hope that businesslike management would solve everything. The cry was: Down with politicians; let businessmen do the job. For those of us who enthusiastically raised that cry, it is especially painful to acknowledge that business management has not solved much of anything. Since July, 1971, the Postal Service has had three different postmasters general—Winton Blount, Elmer T. Klassen, and the incumbent Benjamin F. Bailar. (Irony of ironies, a few weeks ago, the Postal Service returned a letter properly addressed to Mr. Blount in Montgomery, Ala., marked "addressee unknown.") Three top deputies also have come and gone along with platoons of assistant postmasters general. The House Post Office Committee has called the turnover intolerable.

In fairness to harassed executives who have struggled futilely with postal problems, it has to be speculated that no one else could have solved these problems either. From the beginning, the Postal Service has been only a quasi-private corporation, but it has been characterized by a small amount of private and a vast deal of quasi. Even so modest a business innovation as a rental photo-copying machine, on which the

Postal Service was earning a million dollars a year, ran into congressional opposition. Desperate for increased revenues, the Postal Service had to wait 17 months to win approval of a first-class increase from six to eight cents; then it had to wait 23 months on its petition to go from eight to ten.

Even so, the business managers of the Postal Service are fairly subject to question on the labor contracts that they signed. Wages and salaries make up 86 percent of the operating budget. Four major unions are involved—the clerks, with 306,000 members; the letter carriers, with 196,000; the rural employees, who have 53,000; and the mail handlers, with 39,000. The union leadership is strong, shrewd, and savvy. Postal union members' wages were pushed up 60 percent in the period 1970-75. In this same period, wage rates for federal civilian workers went up 38 percent. The typical mail carrier now starts at $11,444 a year. The mean salary is $13,800. The union contract provides built-in cost-of-living increases, and it forbids layoffs.

Mix all these ingredients together, boil over the fires of inflation, and what you get is: red ink. The Postal Service ran up a deficit in fiscal '75 of $989 million, more than double its deficit for fiscal '74. Even with the rate increases of January, the deficit for fiscal '76 will be at least a billion dollars. The projected deficit for fiscal '77 is a billion more.

What to do? The U. S. Postal Service, like the Post-office Department of the late Confederacy, is under a mandate to break even. That was the whole idea of the 1971 reorganization. The Postal Service is not supposed to lose money indefinitely; eventually, it is supposed to earn money.

The classic alternatives are two in number: increase revenues, lower costs. Already there is talk—it is mostly pessimistic talk—of further increases in postage rates. Mr. Bailar publicly has raised the possibility of a rate of 15 to 17 cents on a first-class letter in 1977. He has held out the possibility of a 23-cent rate by 1981. Over the anguished outcry of newspaper and magazine publishers, he intends to press forward with the phasing in of higher second-class rates.

But the drawbacks to additional rate increases are apparent in the downward trend of volume. Higher rates will drive publishers, shippers, and business houses into other systems of delivery. The prospects for a significant reduction in costs are almost as dismal. Because post offices must be manned and mail routes must be carried, the number of regular employees cannot be greatly reduced. As an economy measure, the Postal Service would dearly love to close about 12,000 of its 18,000 third-class and fourth-class post offices. The General Accounting Office has grandly recommended this draconian whack; such closings would save $100 million a year. The Postal Service cannot proceed so magisterially: It has closed only 300 small offices in the past four years.

A more likely economy lies in elimination of Saturday deliveries. Here, the saving is estimated at $350 million a year. The squawk, it is thought, would be perhaps not unbearably loud. Many business offices already are closed on Saturdays; the public is generally conditioned to the idea of weekend suspension of most governmental services. The publishers of daily newspapers doubtless would howl, but other mail users might not greatly object.

Costs could also be cut in other ways, chiefly a further increase in mechanization and a more efficient assignment of postal personnel. If postal patrons could be persuaded to use one or two standard envelopes only and to inscribe proper zip codes in large and legible numbers, the marvelous scanning and sorting machines could do a marvelous job. Unhappily, postal patrons show no zeal for regimentation. The Postal Service is having some success, but only modest success, in personnel transfers. The service also is reducing its overtime costs, and it has cut the number of substitute employees from 183,000 in 1971 to 143,000 in 1975. Despite everything, the red ink flows. While volume goes down, the number of delivery points goes up four percent a year. By 1981, if nothing changes, the projected deficit will climb to $8 billion.

One approach—it is the approach urged by libertarians—is to get the government out of the mail-handling business altogether. The idea would be to turn the whole works over to competitive private enterprise. It is an exhilarating idea, packed with theoretical appeal. It would be interesting to see what the best brains in the trucking, publishing, distributive, and warehousing industries could come up with.

The opposite approach—it is the approach the discouraged House of Representatives twice has seemed to favor—is to dissolve the quasi-private corporation, admit defeat, and put the mails back in a governmental post office department. This would bring back the old evils, as they are thought, of political patronage and constant congressional oversight; but this approach also would restore the old concept that postal service is a governmental service in a class with education, public welfare, and national defense. That is to say, postal service would not be concerned with profits or deficits; postal revenues would go to the general fund, and the general fund would be tapped for the total bill.

The third approach is simply to drift along in the old Confederate dream—to pursue some ultimate goal of pay-as-we-go. This has the appeal that so often goes with inaction, but it confuses illusion with reality. We need sorely to think upon these things. At the moment, we have no very good policy. We have no very good service either.

James J. Kilpatrick

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SOUND OFF TO THE EDITOR

Should We Leave the United Nations?

Thirty-one years ago, the United Nations was launched, sending hopes for peace among nations to euphoric heights.

Well, things haven't worked out so well. Since the day the UN Charter was signed in San Francisco, there has been a long series of wars and military incursions.

With the admission of dozens of newly created countries to the UN in the 1960's and early 1970's, the United States increasingly came under attack in the UN General Assembly. U. S. views now are almost automatically in the minority in the General Assembly, where each of the 144 member countries has an equal vote regardless of size, although a two thirds majority is required on important questions.

In the 15-member Security Council, which has the primary responsibility for peacekeeping, any one of five permanent members—Red China, the Soviet Union, France, and Britain, in addition to the U. S.—can use a veto to block effective action.

The United States contributed $81.3 million to the regular United Nations budget last year. That's 25 percent. The United States contributed an estimated $450 million, or 27 percent, to the total United Nations outlay, which includes peacekeeping force costs in several countries and the costs of special programs and agencies whose assigned goals are human betterment in various fields.

Some Americans now question whether the U. S. should stay in the United Nations, citing the UN's frequent anti-American stance and America's oversize share of UN expenses.

Many others say there are solid reasons for staying in. Among the reasons: The U. S. is aiding in maintaining a needed world forum where American views, too, are heard. An American exit from an organization which the U. S. helped found would appear to be sour grapes. The UN provides a locale for multilateral diplomacy. UN peacekeeping forces have performed effectively in Cyprus, the Congo, and the Middle East. And many of the UN's special programs and agencies dealing with such matters as food, health, and law of the seas do their jobs well.

Should the United States leave the United Nations? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
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Should the United States leave the United Nations? ☐ Yes ☐ No

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A Shorter Workweek Is Given Short Shrift

Should we have a 35-hour workweek? Nine out of ten *Nation's Business* readers responding to that "Sound Off to the Editor" question, posed in January, say no.

The AFL-CIO is urging Congress to consider reducing the 40-hour standard without reducing wages and benefits in order "to increase leisure, to improve the quality of life, and to create additional job opportunities."

Dwayne C. Zenger, president, Intermountain Appliance Supply Corp., Salt Lake City, is among those who disagree with the labor organization. "Without reduced wages and benefits," he says, "the cost to business would go up—substantially, in some cases—causing more inflation and increased costs to consumers. Costs of small businesses increased far too much during the past two years, and this would force some out of business."

Virginia O. Hayes, president, C. I. Hayes, Inc., Cranston, R. I., says: "A mandatory 35-hour week would only cripple profitable concerns. Fixed employee costs—insurance, disability payments, taxes—would increase because more employees would be needed to produce the same amount of goods. Probably, increased prices would begin to reduce the demand for goods, and the vicious recession cycle would start all over again."

P. R. Alms, a vice president of Rand McNally & Co., Chicago, says his firm finds that a 35-hour week raises costs to the point where plants may "have difficulty keeping open."

"Since business is tied to production and production to time, either wages must be reduced or prices raised," says Lyle Fugleberg, president, Fugleberg Koch Associates, Orlando, Fla. "The first is not possible because most workers are having difficulty now contending with living at today's prices. The latter will simply boost inflation."

Steven A. Segal, president, North American Products Corp., Atlanta, feels that "a shorter workweek will not increase productivity per hour worked, and the amount of goods and services will be reduced. Extra jobs will not be created, but higher prices will."

Dorothy A. Presser, executive vice president, E. J. Presser & Co., Inc., Charlotte, says that a 35-hour week would be inflationary, and wage costs already are too high.

"We need a 35-hour week like we need another massive rise in inflation, and that is just about all such a move would evoke," says William Cosulas, president, Bonanza Beverage Co., Las Vegas. "Cutting the workweek would encourage workers to seek additional part-time work for added income and could well keep some of the unemployed from getting jobs. What is needed is more production in any given period, so wages could rise without causing additional inflation."

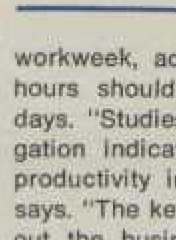
"I do not accept the idea that prosperity is created by either nonproductive labor or enforced idleness," says Dan P. Norris, a vice president of Brown and Caldwell, Eugene, Ore. "At the proper time, prosperity will bring the 35-hour week. It will not work in reverse."

Robert E. Adams, general manager and a vice president of Alabama Oil Co. of North Alabama, Inc., Huntsville, is also against shortening the workweek. "With the already existing coffee breaks, extra holidays on long weekends, sick leave, extended vacations, and many other fringe benefits, it appears to me that we are lucky to get 35 hours of production now," he says.

Thomas R. Henderson, president, Schwab Safe Co., Inc., Lafayette, Ind., feels that "we have enough leisure time now. Quality of life can deteriorate with too little gainful work and too much leisure time."

However, Dr. Arthur P. Baker, Baker Clinic, Detroit, favors the proposed shorter workweek. "Most people spend their whole life working, but they're not living," he says. "To get a good work force producing good products, people have to be in a solid physical and mental state. Being overloaded and overworked decreases the chances of being in this state."

W. J. De Lorrell, Jr., regional manager, Valuation Counselors, Inc., Los Angeles, also votes for a 35-hour workweek, adding that the working hours should be spread over four days. "Studies and personal investigation indicate equal or increased productivity in a shorter week," he says. "The key is uniformity throughout the business community. Without uniformity, the shorter week must fail." He adds that a 35-hour week "may result in elimination of nonproductive make-work and decrease the unemployment rolls."



Ralph A. Trail, an assistant vice president, Oppenheimer Industries, Inc., Kansas City, Mo., favors a 35-hour workweek spread over four days.

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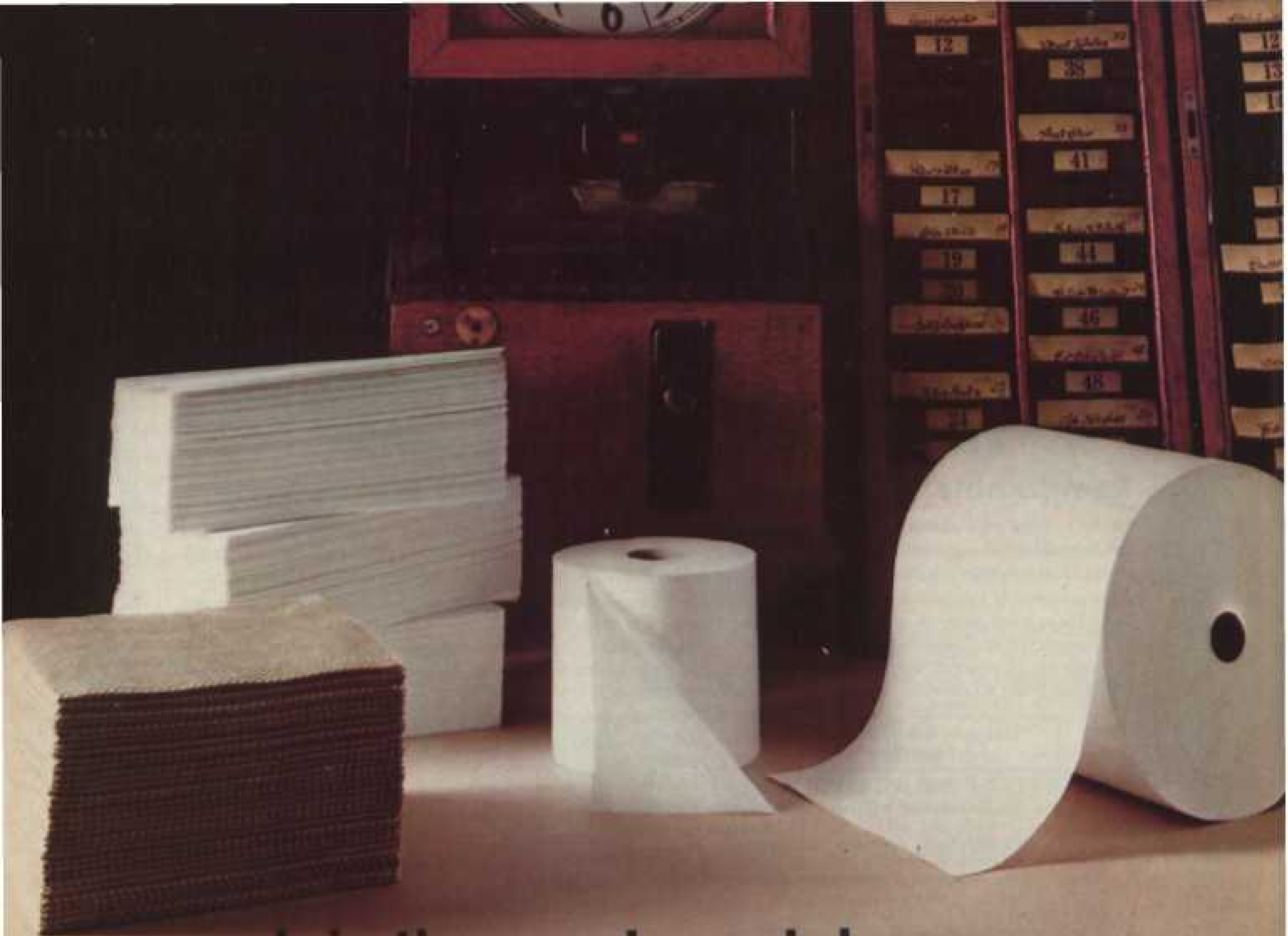

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LETTERS TO THE EDITOR

Too Many Lawyer-Legislators?

It is impossible for Congress to be representative of, and responsive to, the various interests in this country—business, agriculture, etc.—when most members of the national legislature are lawyers.

If we are to achieve a Congress representative of all the people, we must elect senators and representatives from all walks of life. Only then can we expect to have a balanced budget and a government of the people. I urge business leaders, farmers, construction workers, and individuals in all other phases of American life to run for public office. I would also urge votes against lawyers seeking office. In this way, perhaps we can save the nation by changing the course in which we are heading.

BRUCE B. WILSON
Vice President
Ernest Wilson Co., Inc.
Salt Lake City, Utah

Recent articles in NATION'S BUSINESS have referred to the extent to which business is now regulated by government. One major reason is the fact we are sending lawyers and political science graduates into legislative bodies to look after our affairs.

When the business community wises up and begins to run businessmen for posts all the way from constable to the presidency of the United States, we will see a change in climate.

MARVIN E. RICHARDSON
Owner-Manager
Mississippi Time Instruments
Jackson, Miss.

Partnerships and politics

Your article, "What You Can Do Now to Support Candidates" [January], says that if partnerships which are also government contractors wish to raise funds to support political candidates "they must do so through a political action committee on the same basis as corporations."

However, the Federal Election Commission has issued an advisory opinion that "in general, any sole proprietor or partnership with a federal contract would not be permitted to indirectly make a contribution through the establishment of a separate, segregated fund by that type of business." It would seem your article is inconsistent with this advisory opinion.

RONALD P. BROTHERTON
Assistant General Counsel
Touche Ross & Co.
New York, N. Y.

[*Editor's Note: Mr. Brotherton is correct. Partnerships holding federal government contracts may not form political action committees. The article was prepared in advance of the election commission's ruling on this point. Under a recent Supreme Court decision, the commission may no longer issue rulings after March 1. But rulings made prior to that date remain valid, and Congress may restore the commission's powers.*]

Lesson for foreign students

Letters to your magazine about American business efforts to acquaint young people with the enterprise system generally refer only to American youth. In West Virginia, we have a program to enable students from other countries to appreciate the business system in the United States.

For the past five years, any foreign student at Bethany College is welcome to spend a month as an intern in a business run by a member of the Rotary Club in nearby Weirton. The program started with a small grant from the State Department, but Rotarians have assumed the full cost.

A typical comment of a student who has participated in the program is: "After spending a month with your workers, I know firsthand that they are not slaves in a capitalist system. If I had heard this in a lecture on campus, I might not have believed it."

We believe we should not just talk about our economic system, but should make a living, personal example of it.

CARL L. SCHWEINFURTH
Governor, District 763
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Bethany, W. Va.

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How to Halt Excessive Government Regulation

BY DONALD M. KENDALL

GOVERNMENT REGULATION of business is accelerating. Government is not only involving itself more and more in the affairs of business, but in entirely new directions.

This is a legitimate concern of every thinking businessman and businesswoman in the country. Therefore, the sooner we make our own realistic appraisal of government's larger presence in business, the sooner we will be able to adjust our thinking and to cope with it.

We will, of course, always have government regulation; there is no escaping that fact. But we need to know how to live with regulation and to hold it in check.

To begin with, there are today at least three ways in which government's attitude toward business is undergoing a drastic change and bringing about increasing control.

First change in attitude

The first change in the attitude of government has to do with the consumer. Government is redefining the responsibility of business for the protection of the consumer and is assuming obligation for the enforcement of that responsibility. Here are some of the things which government has done in recent years, or is projecting, relating to the consumer:

- An Office of Consumer Affairs has been established, headed by a special assistant to the President.
- The Consumer Product Safety Commission has been legislated into being and is operating in Washington.
- Other government agencies, at the behest of the President or Congress—or on their own initiative—are expanding their consumer programs affecting business. The Food and Drug Administration and the Federal Trade Commission have both broadened their activities, for example, with the latter projecting an extensive new program to regulate advertising.

In a word, the doctrine of caveat emptor is just about dead. It is now the maker and the seller who must beware, and not the buyer.

Second change in attitude

The second change in the attitude of government toward business has to do with the environment. Government is redefining the responsibility of business for the protection of the social and physical environment and is assuming obligation for the enforcement of that responsibility.

For example, Environmental Protection Agency activities are expanding, especially in regard to the automotive industry, the pulp and paper industry, and packaging. Emission controls for automobiles and proposals for a ban on nonreturnable containers are two examples of such extended activity.

Third change in attitude

The third change in the attitude of government toward business has to do with the structure of business, from entire industries to individual firms. Government seems to be seeking every opportunity to regulate every phase of business.

Here are some examples of what government has done recently, or is now projecting, pertaining to the structure of business. In one sense, this type of government control is as old as the Sherman Antitrust Act, updated and extended by the creation of the Federal Trade Commission; in another sense, it breaks entirely new ground.

For example:

- Stepped-up antitrust activity by the Justice Department, as exemplified by government suits against International Business Machines Corp. and the American Telephone and Telegraph Co.
- Orders by the Federal Trade Commission that companies be required to report publicly on sales and earnings by each product line.
- Pending legislation to break up companies in such so-called concen-

Businessmen must realize that regulation won't go away, says Donald Kendall, and they must learn how to live with it and to hold it in check. Mr. Kendall is chairman and chief executive officer of Pepsico, Inc.

trated industries as oil, steel, and automobiles.

- Legislation enacted a few months ago giving the President new powers to control the flow of energy supplies, continuing price controls on domestic oil, setting fuel efficiency standards for automobiles, and authorizing government checkups on information given federal agencies by energy producers and distributors.
- Proposed legislation for the federal chartering of corporations, including specific requirements for government-appointed board members with access to all company data who would have the option to publish the information.

Consequences of delay

Whether or not the items listed here are still in the debating stage, they illustrate an established trend of accelerated government intervention in business. Given the favorable attitude toward this trend generally ascribed to the 94th Congress, the situation must be taken seriously by top business management—which means that to delay doing something about it could prove disastrous for the American incentive system and for the American people.

Paradoxically, by what business has done, as well as by what it has not done, business has added fuel to

the acceleration of government control.

For one thing, business has encouraged government involvement in business affairs by seeking special help from government in certain situations. The problem here is a complex one, and businessmen have not always been to blame.

It is a fact of life that government can grant favors and that its ability to do so is a function of its power. With hundreds of billions of dollars to spend on goods and services, government is a particularly good customer of business.

So long as the meeting between the two takes place in the open market, no harm is done. But when businessmen seek special legislative treatment as suppliers to government, business tends to make itself dependent on government and, to that extent, impairs the market system.

Unreasoned antipathy

A second way in which businessmen abet the spread of government involvement in business is by unreasoned antipathy toward government. By failing to appreciate the essential functions of government appropriate to a democratic society, some businessmen—too many, in fact—disqualify themselves as relevant voices in public debate.

Clearly, good government is vital to our society in carrying out effectively the duties and responsibilities assigned to government by the Constitution and the law of the land. When businessmen fail to affirm the need for good government and refer to government as evil per se, they lose both credibility and influence.

Although political democracy and an economic system based on private enterprise are in many ways interdependent—and always will be—there is, by the very nature of things, a built-in tension between them. The interests of business and other social institutions, government included, do not always appear identical. They often must be reconciled through negotiation and trade-off.

Failure to communicate

Business, therefore, does itself no good by dismissing the claims of government or of any other social institution. If the claims have merit—as some of those of consumers and ecologists, for instance, have proved to have—they will be met in spite of the aloofness of business and without the socially constructive help which business is so well-equipped to contribute.

A third way in which business paradoxically encourages increased government regulation is by failing to communicate clearly and convincingly to its many constituents—customers, employees, stockholders—and by failing to get its story across to the media.

The fault is not always the fault of business. For a number of reasons, the media often distort the business picture. Scandals involving a handful of shady operators make the headlines, for example, while the daily constructive and ethical activities of reputable businessmen—that is, the vast majority—go unnoticed.

Thus, the judgment of the general public tends to be formed on the basis of sporadic aberrations, rather than on the sustained performance of the private business system.

The result—both of ineffective communication by business and unbalanced reporting about business—has been and is a pervasive popular antipathy toward business, which reflects itself in the election of many antibusiness public officials and the passage of much of the antibusiness legislation which we see today.

Still, it is too easy to point the finger at the media and to feel sorry for ourselves. The truth is that, if the story of business is not being accurately and adequately told, it is the fault of business. The blame can be put on no one else.

Business management, therefore, must communicate, not only to the media, but to everyone concerned. This is the reality we must face up to. And the art of communication, as we employ it, must include both knowing exactly how to communicate and specifically what to communicate.

Dual responsibility

In other words, the business executive's overall responsibility for the business climate is a dual obligation both to inform and to be informed by public opinion. The problems of business in dealing with government are relatively simple. Regulation becomes a problem only when enough public support has been mustered to legislate it.

The real challenge to management is to win enough public support to head off government action which is likely to be harmful to business and which is without social merit.

Effective action of this kind on the part of business is possible. This has been demonstrated in at least two recent and important cases.

1. When the Justice Department announced its suit against the American Telephone and Telegraph Co., the larger part of the national press—not generally probusiness—was opposed to the government's action.

2. Elements of the 1974 Trade Reform Act favoring free international trade can be traced to the active involvement of businessmen working together through the Emergency Committee for American Trade.

In one case, a private company, and in the other, an association of private businessmen, worked methodically and unremittingly to solve a

"The real challenge to management is to win enough public support to head off government action which is likely to be harmful to business and which is without social merit. Effective action of this kind on the part of business . . . has been demonstrated."

"When businessmen fail to affirm the need for good government and refer to government as evil per se, they lose both credibility and influence."

problem. The problem in both cases, as businessmen saw it, was that the proposed public policy would injure both private and public interests. In both cases, businessmen assembled the facts to support their positions and communicated them with skill and diligence to the public at large and to interested groups, both in and outside government.

AT&T was able to demonstrate that breaking it up would only result in higher prices and poorer service to the public. The Emergency Committee for American Trade showed that certain kinds of restrictive international trade policies were detrimental to both the United States and the international economy.

Come out of hiding

The issues involved in both instances have, of course, not been resolved, but then, in a free dynamic society, issues rarely are. However, these examples do suggest a number of guidelines for management in dealing with public issues affecting the business climate.

Business managers must come out of hiding on social questions affecting their companies and industries, and they must play a more active, forthright role in public debate. There is a powerful tendency among businessmen faced with criticism to call out the technical troops—lawyers, scientists, public relations people, among them—and to retire to the familiar and comfortable worlds of finance, marketing, administration, and so on.

Needless to say, management in this complex world needs all the technical assistance it can get, but technicians are only as effective as the leadership they work under. Ultimate responsibility for dealing with the world in which the company operates rests with top management, and this responsibility cannot be delegated.

Not only is it top management's job, but in the light of mounting criticism of business and the growing trend for this criticism to be translated into government action, it is a top-priority job and an urgent one.

To deal effectively with criticism, management must be sure of its own position. It is vital to listen, actively and creatively, and to evaluate criticism on its own merits.

Is the criticism bigness? Well, what does bigness mean? What is the optimal size of a business organization, for what purpose, and from whose point of view? What are the alternative methods of industrial organization, and what are their social and political implications? What would the results of such industrial reorganization be in terms of costs, distribution, prices to the consumer?

How clean is clean?

Is the charge pollution of the environment? Well, what are the facts? How clean is a clean environment, and how much is society willing to pay for what level of cleanliness? At what point are we willing to trade off ecological for economic factors?

Is the question one of excess profits? Well, when are profits excessive? What is the relation between profit on one hand and supply and demand on the other? Between profit and capital accumulation to finance commerce and industry? Between profit and willingness to assume risk in order that the goods and services society wants and needs get produced and distributed—and that the all-important jobs be created?

Question of ethics?

Is the charge that businessmen are unethical? What are the facts? Which particular businessman in what specific circumstance? What is the difference between illegal and unethical activities? By what system of values is an act judged unethical?

Is the charge that merchandise is shoddy or dangerous or that service is poor? What is the responsibility of the maker and seller, on one hand, and of the buyer and user on the other? What recourse does a competitive market provide the consumer?

Is the charge that advertising and packaging mislead the consumer? Are people buying too much of what is bad for them and too little of what is good for them? Well, what is the presumed level of competence of an adult citizen in our society? And who is making the presumption? Moreover, if the popular level of taste or judgment is deemed too low, then who shall have the responsibility for

raising it? And will that power be enforceable by government? And how will it be policed?

Real and relevant

In the contemporary business climate, in the current social debate, these are all real and relevant questions—and there are many more. They are difficult questions, and they will not go away. Managers must ask these questions of themselves before they confront the critics of business with them.

Moreover, the answers cannot be routine or mechanical because the issues go to the heart of the free-market system. They must be founded in conviction about the kind of society we want, and they must be well-documented.

However, knowing where he stands on social and political issues as they relate to business is only half of the business manager's job. The other half of his job—the important half at the present time—is to communicate.

He must communicate and keep on communicating until he gets the truth across—until he makes his voice heard and his influence felt.

The newspaper editorial and the TV newsclip have a direct bearing on what happens in the polling booth. Legislation tends to follow hard upon photographs of geese dying in oil slicks, automobile accidents, or women with baby carriages marching in protest.

Against a backdrop of such high emotionalism, it is admittedly not always easy to communicate coolly, clearly, and wisely. But it is essential for the economic well-being of the country that businessmen not be singled out as the villains in these daily dramas and that businessmen not react defensively.

If industrialization creates ecological and social problems, responsibility for solving them rests with everyone who participates in them—which is everyone.

The businessman is a citizen, a family man, a sharer of social values like everyone else.

High responsibility

He should be prepared to present himself as such, to argue each case on its merits, and, if he believes in it, to argue the merits of the free-market system with skill and imagination. He should see this as a high-priority responsibility and take every opportunity to accept this responsibility individually as a representative of his business or in association with others.

If the media are, as many businessmen believe, unsympathetic toward business or poorly informed about it, that is no reason to hide from the media.

It is all the more reason to regard media relations as a tough management problem that must be solved. But it is by no means an impossible problem.

Get busy and do it

The way to solve this problem is to get busy and do it. Business surely has all the resources and organization needed to communicate adequately and effectively to the media and to all individuals concerned.

Similarly, in government relations, communications can be vastly improved between businessmen and government officials by making use of every opportunity for formal and informal contact. It is surely worth the effort.

Government regulation will always be with us. But there is no sense in letting the present trend continue, allowing government regulation to get out of hand, when, by waking up to the situation and putting forth the required effort, we can live with regulation and hold it in check. END

"Business managers must come out of hiding on social questions affecting their companies and industries, and they must play a more active, forthright role in public debate."

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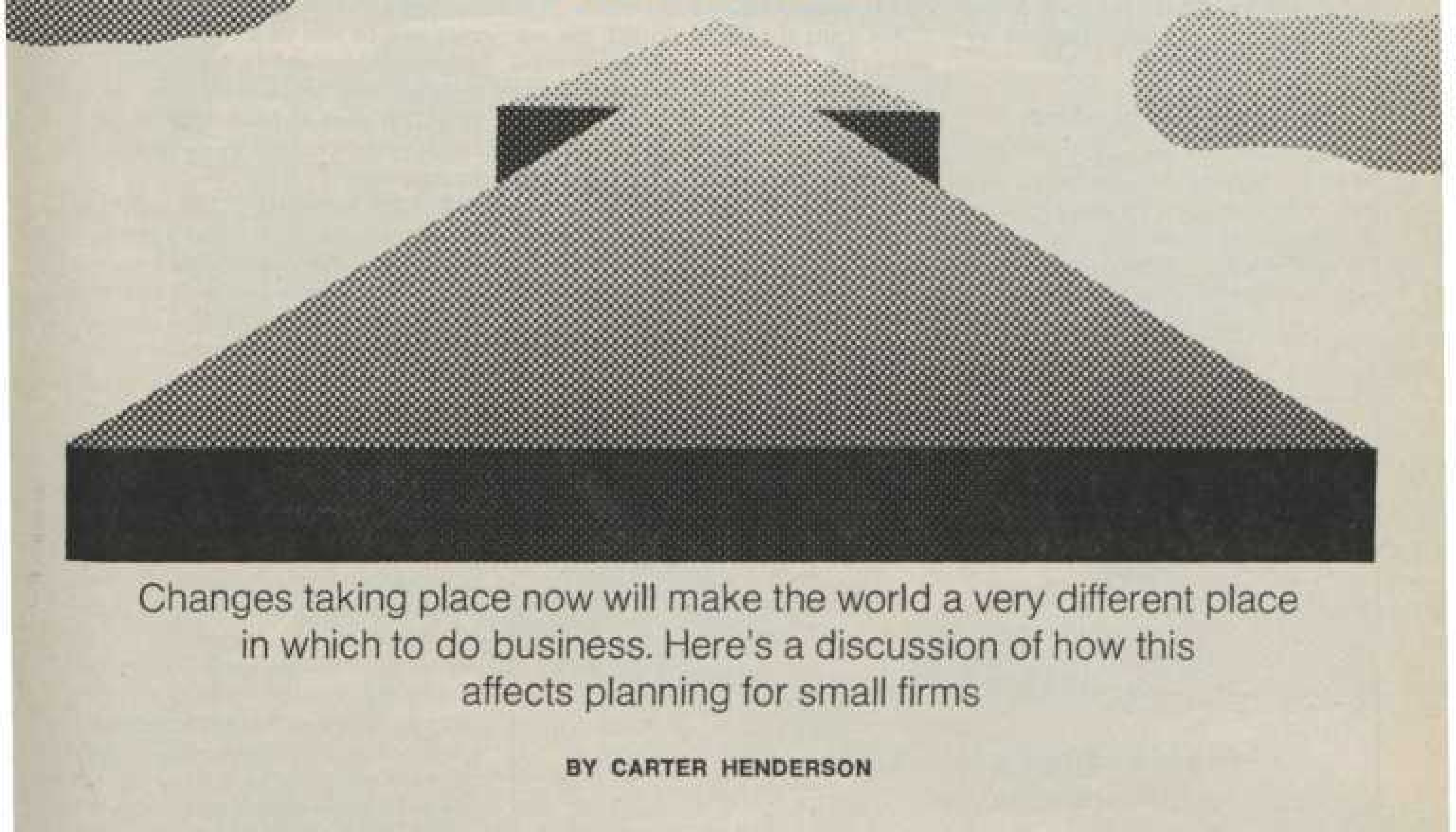
What the Future Holds for Small Business



Changes taking place now will make the world a very different place in which to do business. Here's a discussion of how this affects planning for small firms

BY CARTER HENDERSON

YOU'VE WORKED HARD building a profitable business that will support you after you retire.

You won't be ready to step down for another 25 years or so, but you're worried that the great changes taking place in the American economy today, including soaring energy prices, general inflation, and the capital shortage, could threaten your company's long-term future.

How do you go about planning the future of your business, so that by the year 2000 it will be worth as much as, or more than, it is today?

Most businesses plan ahead for only several years, and their forecasts are usually based on straight-line projections of what the company did in the past modified by clearly visible economic trends and the probable effect of management's strategic decisions.

As we peer deeper into the future, we enter something of a twilight zone where planners are replaced by futurists. Traditional business indicators confined to short-term economic events in the U. S., such as hiring rates, inventory purchases, and common stock prices, are virtually worthless when looking further than a few years into the future.

Forces reshaping the world

Infinitely more indicative in today's economically interdependent world are seminal forces which are molding the future of the entire planet. These forces include growing worldwide food deficits; the Americanization of consumption, which is stoking inflationary fires in the industrialized nations; the planet's worsening population-resource ratio; and what physicists call entropy—the process which is forcing us to burn up more and more of the planet's vanishing resources in order to maintain current living standards.

America and the other industrialized countries face an accelerating transition from material abundance to scarcity.

Increasing competition for the world's dwindling resources could put the raw material-producing countries in a position of unprecedented economic strength.

The fact that the world's popula-

tion is now growing at the fastest rate in history—there are some 70 million new mouths to feed every year—and that its resource base is disappearing at an even faster rate, means that consumers, including small businesses, will have to pay higher and higher prices for raw materials. In addition, they may have to learn to live without resources such as gold, lead, mercury, natural gas, platinum, silver, tin, and zinc—which could be almost exhausted by the end of this century.

New supplies and methods

It is true, of course, that new raw material reserves will be found, and that new extraction methods will be introduced. But this will not alter the worsening population-resource ratio, because of the far higher costs usually associated with such discoveries and because almost all of the high-grade, easy-to-extract deposits of raw materials have already been found.

It takes roughly ten times more capital, for example, to tap the marginally economic oil deposits beneath the North Sea than it does to lift oil from the fabulously rich fields beneath the sands of Saudi Arabia. A comparable situation is the extraction of iron at immense cost from taconite rock—which once was considered useless—instead of from easily smeltable, but now exhausted, iron ore in northern Minnesota's famed Mesabi range.

A hallmark of our modern industrial society is that we must spend ever larger amounts of our precious resources:

• Searching for more costly replacement resources.

• Cleaning up the multibillion-dollar backlog of social and environmental costs of modern production and consumption.

• Caring for the unskilled, the addicts, the dropouts, and others who can't cope with the complexities of modern life.

• Dealing with the mounting demands of government agencies that are responsible for enforcing equal employment opportunity, occupational safety, pension reform, etc.

• Continually experimenting with new government actions contrived to keep the United States prosperous and growing.

"Ingenious new ways will have to be found to raise capital."

Seven critical areas

The implications of all this for small business are profound. Here is a brief outline of what I believe the future may hold for small business in seven critical areas of management planning during the next 25 years:

1. Capital. It will be more difficult and expensive to obtain with passing years and could become virtually unavailable to many small businesses at almost any price.

A leading culprit is the declining productivity of capital; the approximately $200 per kilowatt of capacity it cost to build a 1,000-megawatt coal-fired power plant in 1970, for example, versus the more than $300 per kilowatt it costs today and the anticipated $600 it will cost in 1983. The growing capital shortage has already made it far more difficult to start new businesses and expand old ones.

Capital-wasting management errors will be less easily tolerated, and more quickly lead to insolvency. Ingenious new ways will have to be found to raise capital. One possibility: levying a surcharge on customers or suppliers.

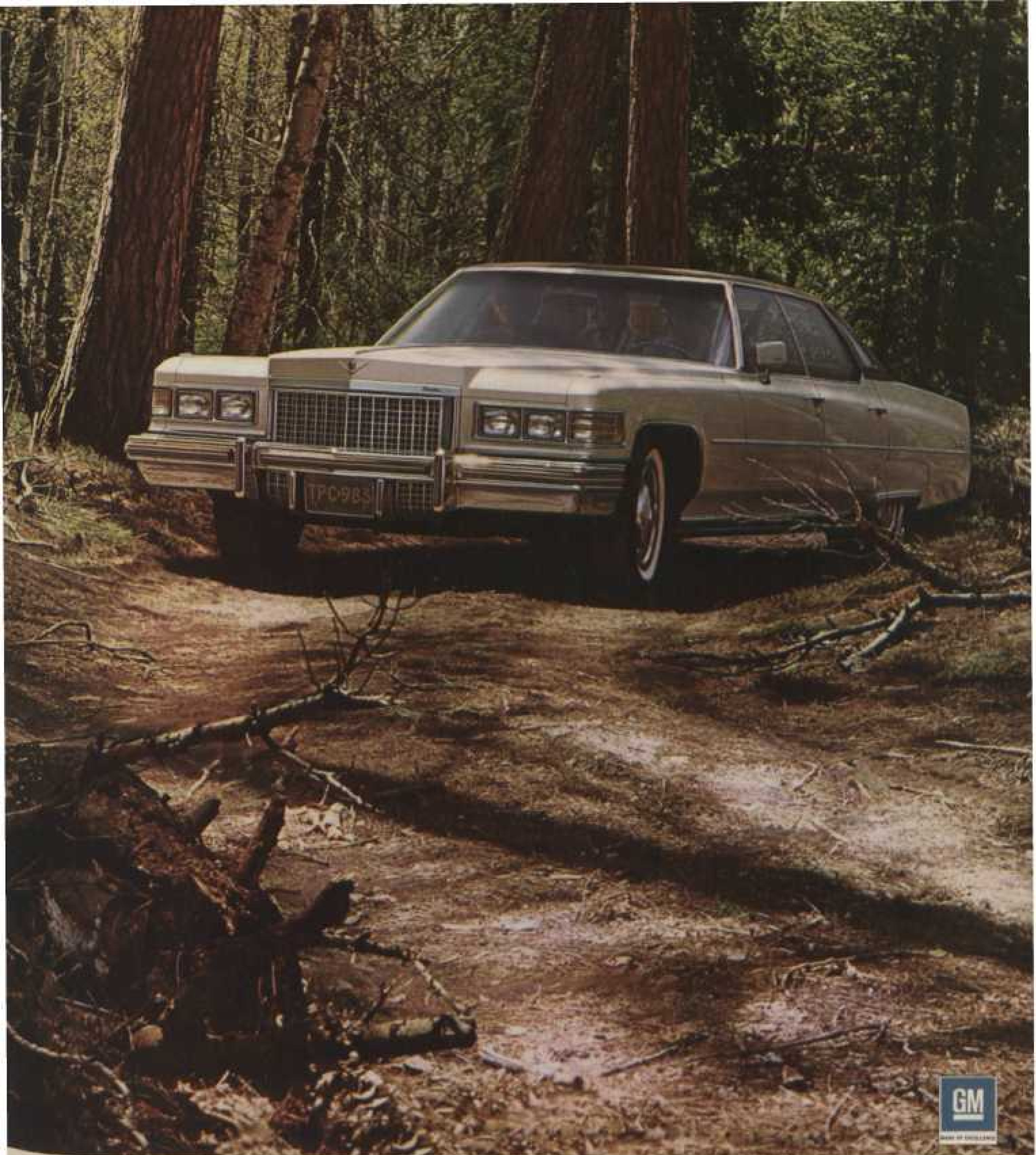
2. Raw materials. They will also be increasingly costly and difficult to obtain, and far more subject to cutoffs—as has happened with Arab oil, American soybeans, and Australian uranium. Larger companies are already locking up supplies by acquiring producers or entering into joint ventures with them. Smaller firms may have to rely on larger inventories or switch to more abundant substitutes.

3. Labor. This is the most plentiful resource on the business horizon. Abundant labor will be substituted for scarce capital, and union money demands could moderate in the face of declining business profits and continuing high-level structural unemployment. Labor productivity could stagnate as massive capital investments in labor-saving machinery become a thing of the past.

New ways of improving labor productivity may have to be tried. One such technique is the use of employee stock ownership plans—ESOP's, as they are called—which give employees free stock in the business in return for tax credits approved by the Internal Revenue Service. Another such technique is offering workers a direct voice in management.

[See NATION'S BUSINESS, February, 1976: "Workers on Your Board of Directors?]

4. Technology. Technology could be less important to small business in the future than in the past. Small business will continue to profit from technological advances which will bring products that it can help to manufacture, market, or use to im-



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prove its own performance. But capital and energy constraints make unlikely a continued outpouring of new technology at its hectic pace since World War II.

The current drive to automate the supermarket clerk and the bank teller, for example, could be part of the final flowering of American big-bang technology, which consumes large amounts of scarce resources.

One interesting development which could prove important to small U. S. manufacturers is a growth in demand for simple tools such as motorized plows, whose machined parts could be prepackaged here and shipped abroad for final assembly by local people using cheap native materials. More than two billion people in the developing world need this kind of inexpensive, poverty-fighting technology described by British economist E. F. Schumacher in his book, "Small Is Beautiful."

"Executives will have to exhibit greater professionalism and foresight."

5. Markets. Markets based on products which consume large amounts of increasingly costly finite resources will tend to decline, while those which make smaller demands on irreplaceable resources or actually conserve them will tend to flourish. Consumers battered by inflation and growing economic uncertainty will put far more emphasis on price and on durability, for which they will be willing to pay a premium.

This should further encourage no-frills discount retailing; businesses devoted to repair, reuse, recycling, and do-it-yourself service on such products as cars and appliances; nonprofit cooperative businesses, particularly in food distribution; and the localized production of handcrafted furniture and other home furnishings lovingly made to last a lifetime.

Climbing gasoline prices will favor the growth of regional businesses over distant competitors whose goods must bear the cost of being trucked in from hundreds of miles away. High-cost resources may also lead to a devolution of big business structures such as the vast power networks operated by utility companies—electricity may one day be delivered to consumers by rooftop solar arrays manufactured and installed by small firms.

6. Government regulation. Regulation is almost certain to increase, as elected officials struggle to keep the U. S. prosperous, while the officials mediate conflicts between opposing power blocs bent on getting a bigger share of the nation's slower-growing economic pie.

7. Management. Executives will have to exhibit greater professionalism and foresight if they are to guide American small business through the economic transition from abundance to scarcity, which is now under way. Profits, so vital in today's capital-starved economy, will be more elusive than ever, because of such factors as rising raw material and energy costs, customer resistance to constantly higher prices, and the expense of cleaning up and maintaining the environment.

New strategies for growth

As a result of such pressure on profits during the next quarter century, management will almost certainly have to experiment with new strategies for growth. Among these might be:

- Elimination of low-margin products, so more attention can be devoted to higher-margin ones.
- Introduction of fewer new products and less emphasis on expansion per se—so that precious capital can be concentrated on increasing the rate of return on successful existing products.
- Diversification, so that there will be products to take up the slack if shortages, cost increases, or stiffer competition make other products unprofitable.
- Investigation of new markets, including those opening up in Latin America and the Middle East.
- Joining organizations representing other small businesses across the country in order to push beneficial new legislation. One example of such legislation: tax credits for companies that increase their employment of abundant labor instead of scarce capital.
- Acceptance of profit margins of as little as two or three percent—which, by the year 2000, could be the hallmark of a growth company.

One job the managers of small business must be sure to take on during the years ahead is the critical analysis of forecasts such as this one. No two futurists see tomorrow unfolding in exactly the same way. It will be up to the businessman to evaluate the futurists' assumptions, evidence, and conclusions to see if they make sense to him and appear relevant to his business. END

MR. HENDERSON *is codirector of the Princeton Center for Alternative Futures, Inc., Princeton, N. J.* *Reprints of this article are available from Nation's Business. See page 44 for details.*

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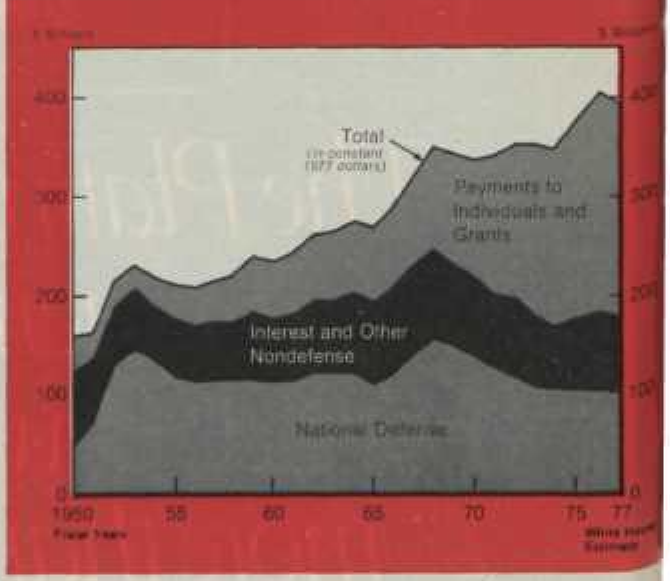
Big Test Ahead for New

A battle between the White House and Congress will determine if the 1974 congressional budget reform law will have any important influence on curbing federal expenditures in the months ahead



HOW FEDERAL SPENDING HAS SOARED AND

Congress's new budget reform procedures are being put to a crucial test in this presidential election year. The outcome will affect every member of the business community.

Using the President's budget proposals as a starting point for the new fiscal year starting Oct. 1, Congress will set its own spending, revenue, and deficit estimates—along with spending ceilings in broad, functional categories such as income security, health, and national defense. Appropriations committees dealing with detailed spending proposals must operate within the overall ceilings set by congressional budget committees.

From the business viewpoint, the basic test of budget reform is whether it will live up to its inherent promise: instilling discipline and restraint in congressional decisions on spending.

There is already some concern that the new procedures might be used to intensify the government spending spiral of recent years.

After President Ford vetoed a $36 billion appropriations bill for welfare, health, and labor activities on the ground it was nearly $1 billion above his request, Congress overrode his veto earlier this year. The congressional explanation: The higher figure was within guidelines set under the budget reform law.

First of a series

The confrontation over that appropriations bill, part of the fiscal 1976 federal budget, was widely viewed as the first of a series of clashes between the President and Congress on spending policy this year.

President Ford has recommended a fiscal 1977 budget of $394.2 billion with a $43 billion deficit. On the other hand, the Congressional Budget Office estimates that $425 billion, with a $65 billion deficit, will be needed to maintain existing government programs at their current levels. Those budget office figures assume a moderate economic recovery.

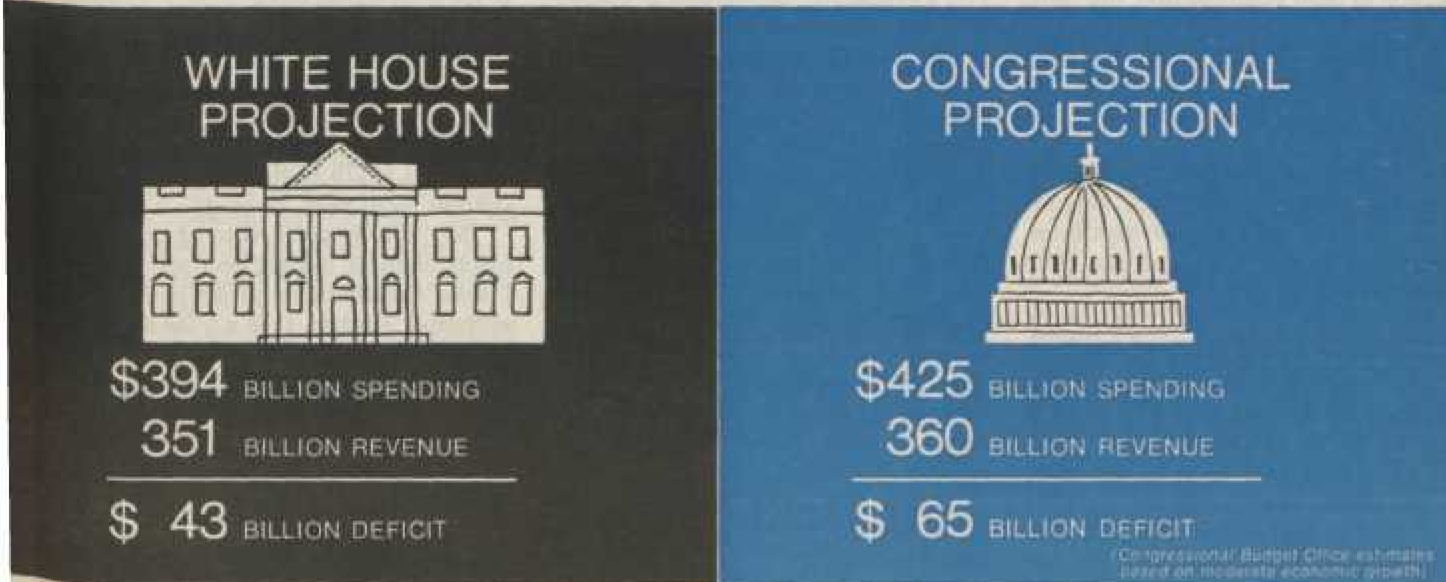
President Ford said in his budget message in January that "we must not continue drifting in the direction of bigger and bigger government."

However, Rep. Brock Adams (D.-Wash.), chairman of the House Budget Committee, complains that "the President's budget contains little good news for the economy, the jobless, the poor, the elderly, and lower-income wage earners, or for hard-pressed state and local government."

The statements of the President and Rep. Adams more or less draw the lines on which the bicentennial battle of the budget will be fought out within the structure of the new congressional budget machinery.

Changes in the budget procedures

Government Spending Controls



HOW WHITE HOUSE AND CONGRESSIONAL BUDGET PROJECTIONS FOR FISCAL 1977 DIFFER.

evolved from a central fact: For more than a century, Congress annually dealt with spending through more than a dozen appropriations bills without relating them to each other, to any grand total, or even to the revenues available to finance the expenditures.

That practice became increasingly intolerable under the combined pressures of Vietnam war and Great Society spending which touched off the present cycle of soaring spending and deficits.

The big picture

Congress finally adopted in 1974 the reform procedures under which it now deals with the budget in terms of total spending and total income—and the size of the deficit which materializes year after year. Starting with fiscal 1977, Congress must come up with an initial overall budget figure by each May 15.

Strong, underlying philosophical differences exist between the Republican President and the Democratic congressional majorities which determine how the budget reform procedures are implemented.

The Ford position

On one hand, the President and his allies in Congress take the position that:

• Stern measures are needed to brake the growth in spending that has seen the federal budget more than double in the past eight years.

• The economic recovery has now reached the point where such anti-recession measures as providing public-service jobs and extending unemployment benefits are not needed. Any additional economic stimulation should come through tax incentives to encourage business to expand and individuals to provide investment capital.

• Continuing world tensions require that defense expenditures grow in real as well as dollar terms.

• Looming deficits in Social Security operations require that the payroll tax—paid half by employers and half by employees—be increased Oct. 1 to 12.3 percent from the present 11.7 percent. The increase in the tax rate alone would add $2.2 billion to employer costs. In addition, the maximum amount of wages taxed, which rose from $14,100 in 1975 to $15,300 in 1976, is expected to go to $16,500 next Jan. 1.

The opposition position

Arrayed against the President are members of Congress, most of them Democrats, who argue that:

• President Ford's proposed $394.2 billion budget for fiscal 1977 is unrealistically low. Either of the fiscal choices he offers—hold spending to the level he set or forgo tax relief if

expenditures go higher—would hamper and possibly abort the recovery.

- Unemployment remains unacceptably high and programs to provide jobs or assistance to the jobless are still necessary. The President's tax-incentive proposals are devices merely to help business and the well-to-do.
- Defense spending can be held down drastically to free money for social programs the President would cut back.
- Additional funding for Social Security should come from general revenues or a still higher maximum amount of wages taxed, and not from a hike in the tax rate.

What does the public want?

The clash over those issues is intensified by the fact that Mr. Ford is seeking his party's nomination to run for a full four-year term in the office to which he was appointed in 1974 and that a half-dozen senators and congressmen are announced or unannounced candidates for the Democratic nomination for the presidency.

Mr. Ford's basic budgetary approach is keyed to belief that the public is fed up with a big spending, continually expanding government and that his positions therefore are sound politically as well as fiscally. His Democratic opposition is operating from the assumption that the public is still worried enough about unemployment and the threat of unemployment to want the federal government to shore up the economy with spending programs.

The budget reform procedures were partially implemented for the federal budget for the current fiscal year, and members of Congress are generally satisfied that the new approach worked as intended. This satisfaction is tempered, however, by a substantial minority opinion that the reforms have failed to check the growth of federal spending and that Congress still lacks the fiscal discipline needed to bring expenditures under control.

Sen. William Brock (R.-Tenn.) is an embodiment of the ambivalent attitude on Capitol Hill toward budget reform as it now stands.

Although he was a principal architect of the budget reform legislation, Sen. Brock voted against the first resolution ever adopted under the law to fix a spending total.

"There is no tomorrow"

In explaining to his colleagues why he was opposing the resolution, which set a $375.6 billion budget total and a $75 billion deficit for the current fiscal year, he said:

"My vote is not a vote against the mechanism of budget control, which I take considerable pride in having authored. Rather, it is a vote against the philosophy that suggests there is no tomorrow. I do not think this country can afford a $75 billion deficit. . . . We have not yet come to grips with our fundamental responsibility. . . ."

Others disagreed.

Chairman Adams of the House Budget Committee said, when his

chamber approved that fiscal 1976 spending total: "The Congress has made great strides in setting its priorities and curbing unnecessary spending since the new budget procedure was implemented."

"Congress really has begun to take hold of America's fiscal priorities and national priorities," said Sen. Edmund Muskie (D.-Maine), chairman of the Senate Budget Committee.

On the other hand, Rep. Delbert Latta (R.-Ohio), ranking minority member of the House Budget Committee, was in the forefront as all eight G. O. P. members of the committee opposed the 1976 spending resolution.

Rep. Latta said: "The frightening rate of increases in federal spending since the 1960's for the most part has been due to the growth in transfer payments, in the form of direct payments to individuals. . . . The resolution does little, if anything, to begin placing overall controls on this dangerous spending trend. Instead, the resolution actually accommodates that trend."

Rep. Samuel Stratton (D.-N.Y.), a senior member of the House Armed Services Committee, was one of several members of Congress who expressed concern that the budget reform procedures are being used to downgrade national security.

Two sides on defense

Discussing congressional adoption of the 1976 budget total, he told the House: "Almost every item has been increased with the single exception of the defense budget, which was cut by $8 billion. . . . We cannot continue to reduce year after year after year while the Soviets keep on going up year after year after year; or else, suddenly one day we will wake up and wonder why we no longer have any credible deterrent power."

House Budget Committee Chairman Adams maintains, on the other hand, that President Ford's budget is too generous to the "already bloated defense structure. . . ."

The status of the congressional budget reform effort at this point can perhaps be best summed up in the words of Sen. Henry Bellmon (R.-Okla.), senior member of his party on the Senate Budget Committee:

"We have come a long way in this first year of the new budget process. We have made real progress from the days when federal spending was the product of dozens of separate, unrelated decisions throughout the year . . . [and] members were unable to weigh each spending bill on any scale of national priorities.

"An important beginning has been made. But I emphasize that it is only a beginning. We still have a long way to go before the budget process is firmly established . . . [and] any of us will be totally pleased with the budget results. . . . The large deficit in this year's budget is a particular disappointment to those of us who favor balancing our national income and expenses.

"Congress must and can do better."

END

What Recruiters Watch for in College Graduates

ILLUSTRATION: RALPH ROBINSON

TATTERED SHIRTS and patched jeans may be the preferred dress on many college campuses, but a survey shows graduates' chances for employment are better if they go job-hunting in traditional attire.

Surveyed were more than 100 personnel recruiters from 17 industries. These industries have hired more than 75 percent of all college graduates since 1972.

Some things don't change

The study was conducted by two Stanford University graduate students, Jane Anton and Michael Russell, while they were earning doctoral degrees in educational guidance and counseling.

Whatever social and cultural changes have occurred in the past decade, the researchers report, "it's still necessary for an applicant to be neatly dressed, friendly, and alert, rather than badly groomed and ill-spoken."

Preferred fields of study

The researchers also find:

College graduates have a better chance of being hired if they have majored in business, engineering, computer science, or the physical sciences. In a listing of preferred categories of applicants, business engineering majors rank five on a scale of five. Those majoring in the humanities and social sciences rank 3.7 and 3.2 respectively.

There is little or no hiring discrimination on the basis of sex, race, religion, or national origin.

Recruiters' priorities in selecting which applicants to hire are:

• Major field of study, academic performance, work experience, and performance at interviews.

• Extracurricular activities, rec-

ommendations of former employers, academic activities, and awards.

- Type of college or university attended and recommendations from faculty or school officials.
- Standard or in-house test scores and military rank held, if any.

Preferred attitudes

Characteristics considered mildly positive influences are those that show applicants to be assertive, intelligent, independent, and inquisitive.

Applicants make a strong positive impression if they are composed, cordial, cooperative, enthusiastic, and sincere.

Negative ratings go to applicants who appear nervous, defensive, quiet, skeptical, or shy.

Interviews are given strong positive ratings if the interviewer considers the atmosphere to be relaxed, balanced, and professional. Interviews get mildly positive ratings if they are casual, and they get negative ratings if they are tense or dominated by either party.

Speech larded with jargon, failure to maintain eye contact with the interviewer, dirty fingernails, and fiddling with objects on the desk are rated as traits mildly to strongly negative.

Making a good appearance

As far as appearance is concerned, a male applicant makes a mildly positive impression in a sport coat and slacks, but he makes a stronger impression in a suit.

In addition, shorter and neatly trimmed hair and beards make a good impression.

In the case of female applicants, jeans, shorts, sandals, and the absence of bras create impressions rated from mildly to strongly negative.

The Anton-Russell study was done for California State University at Hayward and the Western College Placement Association. Full copies of the report, "Employer Attitude and Opinions Regarding Potential College Graduate Employees," are available at $4 each from the Placement Center, California State University at Hayward, Hayward, Calif. 94542. END

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Why We Must Have Industrial Growth

"We should not stand here in history's greatest outpouring of new knowledge, becoming terrified by Chicken Littles urging us to run for our lives."

BY CARL H. MADDEN

Part of the contemporary gloom about the world's future stems from the claims of some critics that our present industrial system is basically corrupt.

These critics argue that, despite our good intentions, we are raping nature by producing too much too fast. Our greed for material goods may have been justified at an earlier period, the argument goes, but our rate of production is now obscene.

Certainly, those contentions are of vital importance to business. If the critics are right, business has to adapt to some profound changes. If the critics are partly right, they still cannot be ignored. Even if they are wrong, business cannot merely shout them down; they must be shown why they are wrong.

Goodness knows, the industrial society has been productive. In the 200 years since the American Revolution, economic advance has been remarkable. During the 10,000 years prior to 1776—the period of the agricultural era which began about 8000 B. C.—people hardly grew any richer at all.

Centuries of no progress

The average Roman citizen of A. D. 1 actually may have had a somewhat higher average annual income—the guess is around $300 in today's dollar equivalent—than the 1776 American's average of just under $200.

Both our 1776 ancestors and the Romans of A. D. 1 used about the same energy sources—animal power, wind, and water. Both the ancient Romans and the Americans of 200 years ago could travel about the same short distance in a day; both used the same materials for tools; and both had about the same average life span—the 30's to mid-40's. If anything, Rome's standards of health and sanitation, as well as much of its engineering, exceeded those of 1776 America.

Since 1776, however, everything economic has come alive. Look at the back of a good high school history book, and you'll see how the charts took off about 200 years ago.

Dr. Madden is chief economist for the Chamber of Commerce of the United States.

My 16-year-old daughter's history text shows that in the past 200 years, world population has gone up sixfold; real world output has gone up 80-fold; the distance a person can travel in a day has increased between a hundredfold and a thousandfold; the geographic killing area of weapons, a millionfold; the amount of energy we can get from a pound of matter, 50 millionfold; and the power of information technology, several billionfold.

During this same 200 years, there has also been an explosion in art, culture, learning, drama, the inventive arts, and science. Our very picture of the universe we live in has changed radically. Two centuries ago, learned prelates debated whether the earth was 6,200 or 6,400 years old. Today, discoveries in Africa of human bones thought to be 3.5 million years old do not quite make front page news.

Outpouring of output

Just in the century from 1872 to 1972, when the U. S. population rose from under 50 million to more than 200 million, our output in real terms rose 40-fold. As a result, output per person in real terms rose sevenfold. Since 1900, our real output per person has doubled every generation.

How can a system yielding such results be seen as corrupt? One argument is that there should be limits to growth, that the changes reflected by the zooming economic charts will lead only to critical shortages in the earth's resources. When resource shortages become critical—perhaps in only 100 to 150 years—population catastrophe will ensue, the argument goes.

The argument is partly right. But it is wrong enough to be misleading.

continued on page 44

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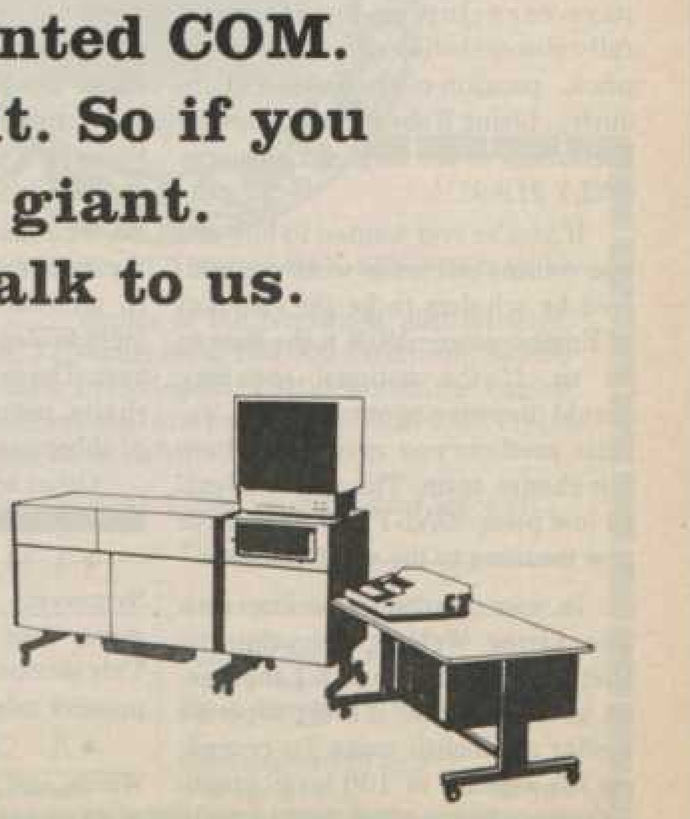

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 continued from page 38

The phrase "limits to growth" seems self-explanatory, but it is not. First, it is wrong in implying that growth means producing more and more of what industrial societies have been producing at a so-called obscene rate. The history of human life shows that social evolution always drives human activities into new pathways. Indeed, each major human age produces its own materials.

Does success mean failure?

Resources never have been as natural as textbooks suggest. Natural resources come from raw materials that have value only when human knowledge shines on them and separates them from the earth to serve human purposes.

The meaning of the word growth has itself evolved during human existence. Quantitative growth is not the only kind. Right now, people and businesses are coming to understand that wealth does not consist merely of a growing pile of goods and services—of diamond rings and luxury cars. Rather, they begin to realize that quality living may mean new forms of activity consistent with enhancing the environment, both physical and social.

Those who see industrial society as corrupt fear that it will fall of its own successes. They fear that extending the length of life only isolates the aged, that advances in defense weapons only threaten mass destruction, that faster communication only increases the risk of societal breakdown, that the pileup of goods only creates widening gaps between haves and have-nots at home and abroad, that rising world affluence only threatens world revolution.

Such fears deserve respect and impose grave responsibilities on leadership. The fears are partly justified. Only shortsighted vision indeed can ignore the monumental evidence, in Toynbee's "A Study of History," of the rise and fall of civilizations.

But there is another side. We should not stand here in history's greatest outpouring of new knowledge, becoming terrified by Chicken Littles urging us to run for our lives. Any reasonable view of the last 200 years supports some simple truths.

Industrial civilization is neither basically corrupt nor a threat to humanity. In scarcely two centuries, it has brought a new promise of adequacy to the people of the world. It spreads now because of its success. It is changing before our eyes as it adapts to new knowledge. Taking the world as a whole, the history book charts show plainly that wealth creation is a game of my gain is your gain and not of my gain is your loss.

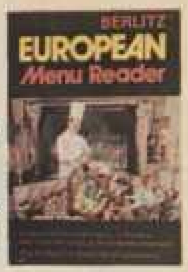
How corporations help us

Corporations perform. They are responsive. They evolve and change. They are far from being the exploitative vehicles some critics claim they are. It is only simple truth to observe that corporations are vehicles for growing opportunity the world over. It hurts the believers in our society's corruption and their followers in style and taste to acknowledge that, more and more, corporations are intellectual institutions. Business leaders organize advanced modern knowledge to serve people's wants.

Growth—in the sense of the evolutionary advance of applied knowledge to satisfy freely expressed wants—is the only way to feed the world's hungry and improve the quality of life. The poor, here and abroad, need no doctorates to understand that growth is better than no growth. The critics of the industrial society do not understand that knowledge is the basic ingredient of growth. They do not see that by advancing knowledge we not only create energy and material but we also economize their use. They too often do not see that markets spur variety nor do they realize that private property protects our cultural vitality as well as our liberty.

However, the critics of the industrial society play a constructive role. They remind leaders everywhere that our society is evolving and changing and that it must adapt to survive. They remind us that we should be building a new set of values consistent with the glories of liberty and justice and with the light of science, shorn of past myth and superstition.

We ought to be seriously dreaming now about how to get the whole world fed, healthy, learning, doing things of pith and moment, cooperating together in producing the new wealth that knowledge can bring us tomorrow. It is pursuit of such humane dreams that can give the lie to critics of the industrial society in its third century.



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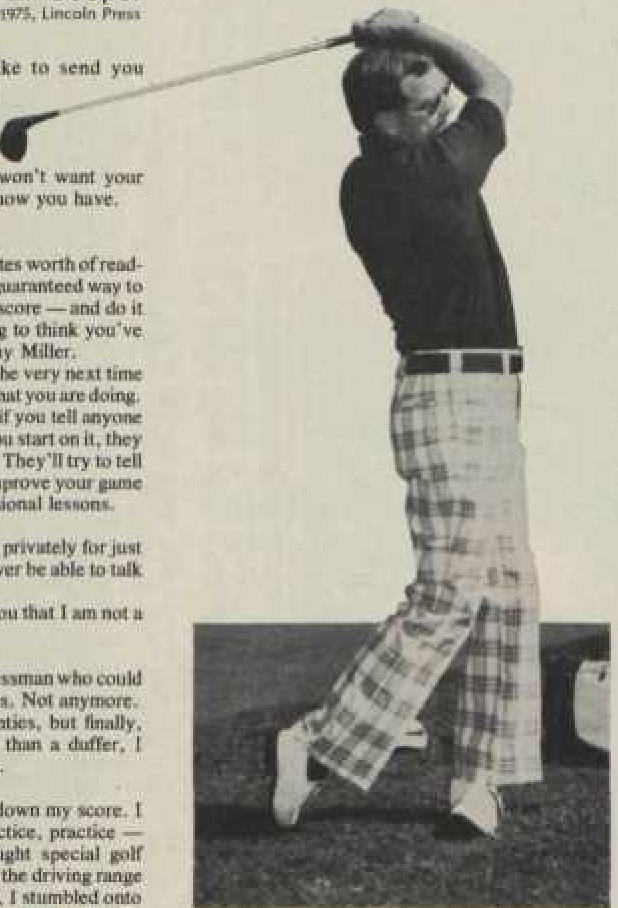
How To Cut 5 to 15 Strokes Off Your Score — Guaranteed!

By Phil Cooper



If you play golf I would like to send you something that comes in a plain brown wrapper.

No — not dirty pictures or anything like that!

But it is something that you won't want your friends and golfing partners to know you have.

Not for a while, anyway.

Here's why:

I'm going to send you five minutes worth of reading material that will show you a guaranteed way to take 5 to 15 strokes off your golf score — and do it so fast that your friends are going to think you've taken private lessons from Johnny Miller.

I'd like you to try this method the very next time you play without telling anyone what you are doing.

That's because I'm afraid that if you tell anyone about the secret method before you start on it, they might be able to talk you out of it. They'll try to tell you that there is just no way to improve your game so much without private, professional lessons.

But there is.

And, I'm sure that if you try it privately for just one round of golf — no one will ever be able to talk you out of it then.

Before I go on, I'd like to tell you that I am not a golf pro or anything like that.

I'm a businessman.

A short time ago, I was a businessman who could never break 100 for eighteen holes. Not anymore.

I still don't shoot in the seventies, but finally, after years of being little better than a duffer, I consistently shoot in the eighties.

It's wonderful.

For years I struggled to bring down my score. I tried everything — practice, practice, practice — read miracle golf books — bought special golf gloves — took lessons — went to the driving range — everything. Then, by accident, I stumbled onto the real secret of cutting strokes off my game. The very first round I played after I discovered this secret, I broke 100 for the very first time.

The secret is simple — but I'm not about to give it away for nothing. What I've been able to do is "smarten up" my game — and by doing this I took almost 30 strokes off my score all told. (I haven't been able to break 70 yet, but I will!)

I know it sounds impossible — but I've actually learned to "smarten up" my game — after everything else I tried (and cost me a fortune) had failed miserably.

Before — it seemed that I was hooking or slicing on every drive — continually in the traps or rough — and 3-putting every hole. After I made my amazingly simple discovery— my drives went down the middle of the fairway — my irons put me on the green — and my putting improved tremendously.

It was so simple, in fact, that I haven't yet figured out why no one ever thought of it before. But, since I've read every book on golf I could find — and tried all the "gimmicks" — I can assure you that I've never seen this secret printed anywhere before.

When my friends saw how much my game had improved they asked me to give them my secret. I typed out the complete details on my secret — the step-by-step, easy-to-follow method that had cut all those strokes off my game. For lack of a better name I called it "The Phil Cooper Golf Improvement Plan."

I gave it to three friends who make up my regular foursome. It worked for them, too. Their game improved as much as mine.

Now, you and I both know that there's a lot of money to be made for the person who comes up with a method for cutting strokes — a method that really works. I am certain that I have done just that!

But, was our new golfing success a fluke? Perhaps there was something special about our foursome that made this "miracle" possible. I don't believe that for a moment!

However, I MUST PROVE IT NOW!

For, once I prove that my golf secret works — really works — I will offer it to all golfers for $25 — and it will be worth every penny of it. (How many times have you said to yourself that you'd pay a fortune to take 15 strokes off your score?)

So, to prove that my secret works for all golfers — I'll teach it to you — and to a limited number of other golfers — for little more than the price of having it printed up.

Remember, I'm willing to do this for my own selfish reason. Once YOU have succeeded — once YOU have taken off those strokes — I'll probably make a mint when I offer the PROVEN plan through newspapers and magazines.

But, you must make me a promise. You must report your stroke losses to me promptly — first when you take 5 strokes off your score — then when you break 100 — when you break 90. This will be the proof I need.

I feel certain that it makes no difference whether you are a man or a woman (it works for both) — whether you are young or old — whether you've taken lessons or not — THIS METHOD WILL WORK or it won't cost you a single penny!

There is only one way for you to see if I'm right — to get your guaranteed copy of "The Phil Cooper Golf Improvement Plan" — and that's to order it now — by mail. It's not yet available at any bookstore or pro shop in the world — at any price.

In fact, you might be interested to know that the Plan has been Registered and Copyrighted with the U.S. Government so that the secret cannot be copied or stolen.

Furthermore, you can order it without a worry because you are protected by an ironclad, 100% no-risk Double Guarantee of cutting strokes from your game:

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An Oilman's Answer to Future Energy Problems

Harold J. Haynes, chairman of Standard Oil Co. of California, discusses a challenge to the nation and a management style for dealing with the kinds of day-to-day challenges that every businessman faces

If the Texas State Highway Department, for example, had offered Bill Haynes a job in 1947, he might have grabbed it. If so, his life could have been spent building the giant freeways that crisscross the Lone Star State.

Not that he cared particularly about highway construction when he got out of Texas A&M with a civil engineering degree that year. At the time, he had but one thought in mind: Take the highest-paying job offered him.

The young navy veteran had a compelling reason for that attitude. He had a young wife and was about to become a father.

His best job offer came from Standard Oil Co. of California. Or, to be more accurate, from a Socal exploration and producing subsidiary called The California Co.

Mr. Haynes, who is known to associates, friends, and relatives as Bill, although he signs his name Harold J. (for Jean), took the job.

"Obviously, I've never been sorry," he says.

Today, Mr. Haynes, age 50, is chairman and president of Socal, America's fourth largest oil company. Its annual sales total nearly $19 billion, and it employs about 40,000 people and operates in 90 countries.

For more than 20 years, Mr. Haynes served in a variety of posts for Socal, exploring for oil, selling oil, and running other operations in the United States and overseas. He rose from one job to another—in engineering, production, marketing, even the controller's office—to become president in 1969, at age 43, and chairman in 1974.

Over the years, he, his wife, Reta, and their three daughters moved more than 20 times in the United States and abroad.

Mr. Haynes, a six-footer who has never lost his Texas drawl, believes that 39-cent-a-gallon gasoline will never return. However, he feels that 90-cent-a-gallon gasoline isn't in the cards, either.

There is only one near-term solution, he says, to the nation's energy crunch: Go hunting for more domestic oil.

Here, in an interview with a Nation's Business editor at Socal's San Francisco headquarters, he discusses his views on energy and on business leadership.

Depending on which government report you read, the United States is going to run out of oil in 25, 40, or 60 years. Will it?

That depends on a number of factors. For instance, on how much additional oil we find, how much we conserve. When I was in college—almost 30 years ago—we used to hear that we would be running out of oil in eight to ten years. We've been hearing predictions like that ever since, but they have yet to come true.

Looking just at the statistics on proved oil reserves, our present rate of oil consumption would exhaust domestic reserves in less than ten years. But that doesn't take into account the tremendous oil potential remaining in this country, primarily in Alaska and on the outer continental shelf. I think a great deal of oil is going to be discovered in the years ahead.

And if we look at the entire free world, and we should, enough oil should be there to satisfy our needs, and more, for a long, long time.

Hasn't political emphasis been on making the U. S. independent of foreign oil?

As I recall, that was the original

Harold Haynes and David Packard (right), Hewlett-Packard Co. chairman and a director of Socal, on a Gulf of Mexico offshore drilling platform.

goal of Project Independence. But obviously, that has been somewhat modified. Now, the objective is not so much total self-sufficiency as it is minimizing undue dependence on foreign sources.

I don't believe we could ever have total self-sufficiency in oil. And in any event, it would not make economic sense. We'd be paying more for it than it would be worth to us.

But what about other forms of energy in reaching self-sufficiency?

We should definitely be pursuing research and development in all alternative sources of energy—shale, tar sands, coal, solar, and geothermal. But these alternatives will not contribute significant amounts of energy during the next decade.

In the first place, we still must develop a great deal more technology in these areas. In the second place, there's the sheer economics of the situation.

For example, we're working on a variety of ways to extract oil from tar sands and from shale. Socal, in fact, is the second largest private holder of shale properties in the Rocky Mountain area. But even assuming that we could solve all of the environmental problems associated with the various shale processes, it would still cost $16 or $17 a barrel to extract the oil. So shale oil just doesn't seem to be in the picture right now.

We do have an abundance of coal; and one of these years we'll be making synthetic crude from coal. But here again, we need more technology. And that synthetic crude is going to be expensive to produce. The current world price of oil—roughly $13 a barrel—would seem to rule out significant volumes of syncrude for some time to come.

All of these alternate sources of energy have great potential. But the realization of their potential remains far in the future.

So, for the next decade, at least, the best thing the U. S. can do is go out and explore for oil?

Exactly. There's no reasonably economic alternative to oil and gas on the horizon. We really have only two options: Increase our dependence on oil imports or accelerate exploration for our domestic oil potential.

As far as I'm concerned, the second option is the only one that makes sense.

Today, we're importing about 40 percent of the oil we consume. Since there is a great deal of oil in the free world, we could readily increase our imports. But this would only make the U. S. more vulnerable to political upheaval abroad. And if we were to have another embargo, the economic effects would be severe indeed.

The last embargo was, by and large, not much more than an inconvenience. But we weren't 40 percent dependent then—as we are now—on foreign oil. Some experts estimate that as many as two million Americans would be put out of work if another embargo took place today.

Consequently, I'm convinced we should be stepping up leasing of our outer continental shelf for oil exploration, getting out from under needless government controls and regulations, and getting on with the primary job of making the U. S. reasonably self-sufficient in energy. With the right political and economic climate, I'm certain the American oil industry could make a very vital contribution to reducing our dependence on foreign sources.

If you had this climate, are you certain you could find oil?

I'm certain we could. Our industry is perfectly willing to take enormous financial risks to explore for oil if it knows what the rules of the game are.

Since you've been chairman of Socal, the company has greatly expanded refinery capacity and taken some steps to diversify. Is this part of a plan?

It certainly is. We've been looking five years ahead and even further. Our refinery expansion program was a decision made quite some years ago. Some of the other things we're doing also go back a considerable time.

Last year, we made one of our corporate vice presidents responsible for planning and gave him a small but highly talented staff to support his efforts. Basically, this planning group is charged with seeing to it that all of our company's resources are utilized with maximum effectiveness. By resources, I mean our technology,

our capital, and—most of all—our people.

This involves much more than merely deciding how to spend money.

How do you feel about oil companies diversifying into other fields?

I can speak for only one company, of course—our own.

As you know, we invested $333 million recently to acquire a 20 percent interest in AMAX Inc. We compared this with other investment opportunities that were available and felt it was one of the very best.

Some of the parameters we established around our general concept of diversification were these: We were interested in a high-technology industry, one that was primarily U. S.-based, was in the natural resources field, and was capital-intensive.

AMAX, a very large metals mining company, met our criteria. Some 70 percent of its reserves are in the United States, while most of ours are overseas. We therefore achieved better geographical balance in our base of raw materials.

We feel AMAX complements our basic oil and gas business. Any further diversification or investment opportunity would also have to fit into our general concept.

Under your stewardship, Socal executives seem to be quite willing to speak out on issues affecting the company or the industry. Is this a style of management?

Yes. If you go back a few years, you'll find the oil industry was doing a good job of bringing energy to the public at low cost. But the industry was very reluctant, for some reason, to talk about what it was doing so successfully. There seemed to be an attitude that the oil business was our business and nobody else's.

Well, obviously, that was a serious mistake. No one else understood our business, and we ended up with a public image worse than that of almost any other industry.

At our company, we began asking ourselves some really soul-searching questions, and we concluded that by our own attitudes we had helped bring this image about.

As a company, we have a lot about which to be proud. So we decided we'd better start talking about it, and that's exactly what we're doing. I think the public should know what we're trying to do and, more importantly, why.

I understand you've moved something like 27 times in your career with Socal?

Actually, my wife and I have moved 27 times in 30 years, although several of these moves occurred while I was in the navy.

Do you believe a company should move executives around?

I think it depends on the type of business. Certainly, in the oil business it's very beneficial to move from one place to another, to acquire a broader insight into what's going on.

We operate in 90 countries around the world. Moving from place to place has to give you a better perspective on the company and its problems. It certainly did for me.

But it's not imperative that our executives constantly move about. We have some officers who have never worked anywhere but here at our San Francisco headquarters.

How did you happen to become head of one of America's biggest petroleum companies?

When I received my degree in civil engineering from Texas A&M, my wife was pregnant, and I simply took the highest-paying job that was offered to me.

Obviously, I've never been sorry I went with our company or into the oil business. It's fascinating.

Actually, I had no preconceived idea where my career would lead. I had every intention of just pursuing engineering. But as things worked out, I went into a managerial position while I was working in South America, spent some time in refining, marketing, and the controller's organization, then moved back into producing and exploration. Ultimately, I became heavily involved in all phases of our foreign activities.

I never really asked for any of those moves. Someone would say they'd like me for a particular job at a particular place and time, and since I enjoyed my work and felt that one of my responsibilities to the company was to do what it wanted me to do, I moved.

So here I sit. You don't campaign for a job like this.

What do you see as your primary role as chief executive of a company with close to $19 billion in sales?

I've read other NATION'S BUSINESS interviews with chief executives, and some of these gentlemen have said that one of their prime responsibilities is to choose a successor. I think this really means developing managerial talent.

Developing people is certainly one very important aspect of any executive's job. Perhaps, in the long run, it's the most important.

But I'd have to say I look at my job in a somewhat broader context. I have to try to utilize our resources in a manner that will bring an acceptable return to our shareholders and, at the same time, provide meaningful and rewarding jobs to our employees.

I'd certainly add another important part: to see to it that we fulfill our role in society—assume our corporate responsibility, if you will.

What are some traits you think an executive must have?

Well, one surely is an ability to deal with frustration.

How about competitiveness?

That goes without saying.

What's your biggest challenge?

I suppose by challenge you mean the requirements of leadership that face an executive. One element, which stands out now more than ever before, is the need to be adaptable to change. It may sound trite to emphasize that we are in a changing world, but we are.

Flexibility, the need to recognize change, to adapt to it, is extremely important to any executive—to anyone, for that matter.

Speaking somewhat more philosophically, business faces many uncertainties every day. This is not a complaint, merely a fact. The old ways won't work, and you simply have to recognize that they won't. Even some of the things we were

PHOTO: GENE DANIELS—BLACK STAR

E. J. Murphy (left), staff assistant to Socal's chairman, touches base with the boss in one of a variety of daily conferences Mr. Haynes holds.

doing just a short while ago are already out of date.

You could almost say that tomorrow is today, every day.

Change, of course, means decisions. Do you stew over those you make?

Oh, no.

Obviously, you try to benefit from your mistakes. And don't think I haven't made my share. If someone ever has the feeling he never made a mistake, that person hasn't done very much. But you really don't have much time to worry over such things.

Speaking of time, can running a company still be a one-man show?

I don't think this company has ever been a one-man show.

When making a decision, we bring as broad a cross section of views to bear on the subject as we can. In the final analysis, of course, a chief executive bears the responsibility for the decision.

Is there any one decision you wish you'd never made?

Well, nobody likes to drill a dry hole. But in the sense you're speaking of, I don't think so.

What's the best decision you ever made?

To go to work for the company I'm working for. But I'm talking about a career decision, you understand.

The very best decision of my life was when I married my wife.

Some executives say the biggest change they've noticed over their careers is that they now spend more time on nonbusiness issues. Do you agree?

Yes, but there are very few areas we're involved in today that you could strictly define as nonbusiness.

I think business has recognized that it has a crucial role to play in helping to solve some of the social problems our country faces. As far as I'm concerned, this is quite compatible with our basic business efforts.

In the early days, the oil business had the image of wildcatters who dug a well, started a company, and hired the talent to run it. Is that image true today?

Of course, you can't do that today, and I'm not so sure you've ever been able to run a successful company that way.

True, sometimes you go out and hire talent, good talent. But, basically, you have to hire people when they're young and then train and develop them.

The oil business today is a complex, demanding business. In Socal's case, we have 40,000 people who've chosen this industry and our company as a career.

We in the industry want the same things other Americans want—a high quality of life and enjoyment of our families and our jobs.

We're just as concerned about the environment as anyone else. Those old, romantic days you mentioned have long since bowed to technology and to the greater needs of modern society.

If you want to put a price tag on it, Socal has spent nearly $350 million over the past five years on environmental protection projects in this country alone.

Old images are hard to erase. A lot of people cling to the idea of 39-cent-a-gallon gasoline. Will gas be sold at that price again, someday?

I'm afraid the days of 39-cent gasoline are gone forever. It's just not in the cards to see such low-cost energy again.

Part of the reason is the OPEC countries' decisions to double, then quadruple, the price of their crude.

So you're not going to see 39-cent gasoline again. But also, I don't think you're going to see the 90-cent-a-gallon gas in the near future that some people have been talking about. If price controls are removed, as now scheduled, the market will find its proper level, and I don't believe the price will go up more than three to five cents a gallon.

You really feel the market mechanism will determine the prices?

Absolutely. You could see the price come down as well as go up. Don't forget that. The market works both ways.

For a long time, Socal was thought of primarily as a producer of crude. Why has the company recently been

expanding so much in refining and marketing?

If you go back a few years, there's no question that our company had access to more crude than it needed for its internal refining and marketing operations. We sold a considerable volume of oil to others. But, in the late 1960's, we began to strengthen the so-called downstream part of our operations so we could better utilize our raw material sources.

Today, we have interests in 56 refineries in 26 countries. Last year, our refinery input was 2.1 million barrels a day.

Here in the U. S., our refinery expansion now under way should give us a daily capacity of 1.5 million barrels a day this year. And we can handle all types of crude, all grades. That's very important.

We have spent a great deal of money on our refining and marketing operations. The current refinery expansion will cost about $700 million. But we feel it's a good investment.

Everyone calls you Bill. Why not Hal?

My sister wanted me to be named Bill. She just didn't like the name Harold. So, when I was a baby, she wouldn't call me anything but Bill, and everybody started doing it. As a matter of fact, Bill is the name on my high school diploma.

Since Socal operates in 90 countries, you must travel a lot.

I do spend many hours on airplanes. But it gives me a chance to catch up on a lot of work and reading.

Do you do any traveling strictly for pleasure?

Not really.

Any hobbies?

I enjoy golf, and I go fishing occasionally.

But I don't have any real hobbies. I don't need them. I happen to thoroughly enjoy my job. I like the oil business. END

REPRINTS *of this article are available from Nation's Business. See page 44 for details.*

By VERNON LOUVIERE
Senior Editor

How Pastors' Aid Raises Job Performance

For more than 25 years, the R. J. Reynolds Tobacco Co. has been demonstrating that confession not only is good for the soul, but also is good for improving morale on the job.

When retired Chairman John C. Whitaker was a supervisor working his way up through the management ranks of the giant tobacco firm, he was impressed with the number of employees who came to him with personal problems.

In 1949, as chairman, he hired a full-time minister to run a pastoral counseling program for the corporation. The program has continued over the years, and today there are two full-time ministers on the payroll. They work in the Winston-Salem, N. C., area, where R. J. Reynolds is based and where it has 13,000 employees.

"You can't turn human problems on and off like the lights," says the Rev. Rodney Brown, 44-year-old Methodist clergyman who joined Reynolds in 1967. "People bring their troubles to the job, and we feel they should be able to get help there."

The other pastoral counselor is the Rev. Charles Shaw, 52, a Baptist minister who once was an armed services chaplain.

"Almost everyone, at some time in their lives, becomes discouraged or confused," Mr. Brown points out. "They don't leave their problems at home when they come to work, and very often their job performance suffers. By offering an on-the-job pastoral counseling service, we feel we not only help the employee, but the company as well."

Last year, the two ministers held about 1,200 counseling sessions involving some 400 individuals. They also occasionally counseled Reynolds employees outside the Winston-Salem area by telephone.

"Almost 50 percent of those com-

Rev. Rodney Brown, a pastoral counselor at R. J. Reynolds, listens to a problem.

ing to us are suffering through the emotional trauma of marital discord," says Mr. Brown. "This is by far our largest problem, and records indicate it has been ever since the program started.

"It usually begins with a husband taking the wife for granted. He becomes preoccupied with his job and other activities, and he doesn't realize that he's leaving his wife in a confined situation with the house and kids. The wife just gets fed up. Communication breaks down, they drift apart, and a real crisis develops."

The changing role of women is having an effect. Mr. Brown explains:

"Women—and it is not just the younger women—are saying 'ouch' much sooner. They tell their husbands that they intend to go to work and that if the problems don't get solved, they are shipping out."

About half of the employees the two ministers counsel come from the management side of the company, occasionally from the executive suite itself.

In addition to marital discord, the problems dealt with include financial difficulties, personality conflicts with co-workers or neighbors, legal troubles, and the full range of human misery created by alcohol or drug addiction.

R. J. Reynolds has an in-house alcohol abuse program for employees, and both ministers are deeply involved. Says Mr. Brown:

"Alcohol-related problems are coming at an earlier age and an earlier stage in employment each year. For a few years, we also saw an increase in drug use, but now that seems to be tapering off and we are finding many young people switching from the other drugs to alcohol."

When necessary, the ministers refer employees to psychiatrists, to Alcoholics Anonymous, and to consumer credit specialists. In some cases, the clergymen work with the courts when employees are involved in criminal matters.

About half of the employees counseled by the ministers seek help on their own. The remainder are referred by supervisors.

The Reynolds program attracts considerable attention from other large employers. Says Mr. Shaw:

"Every week, we get inquiries from some individual or business about the program, not only about how it works but about its place in a business environment.

"Both of those types of inquiries are easy to answer, but especially the second, because no matter where you go or whom you work for, human problems don't change. Each locale just means a different frame of reference." •

continued on next page

Firestone employees enjoy these glimpses of Chaplin and Laurel and Hardy as the employees learn safe work habits.

Safety Lessons From Laurel and Hardy

Thanks to Laurel and Hardy and Charlie Chaplin, workmen at Firestone Tire & Rubber Co. plants are learning to work more safely.

Films of some of the old-time comedians' antics are being shown to more than 100,000 Firestone employees so they can see how not to do this or that as they go about their jobs.

If there was a wrong way to perform a task, Laurel and Hardy and Chaplin found it. Like the simple act of setting up and climbing a ladder.

"We can laugh at their antics, but thousands of workmen are injured every year on the job because they don't know how to set up a ladder properly or how to climb and work on one," says Del Ritter, a Firestone safety engineer who teaches safety to some 20,000 workers handling chemicals and raw materials at 47 Firestone plants.

"These film classics are an excellent tool for communicating an important message."

Among the Laurel and Hardy films used are "The Music Box," which shows the two trying to deliver a piano to a house at the top of a hill; "The Finishing Touch," in which they are carpenters; and "Hog Wild," showing the two bumblers installing an aerial on a house. Chaplin's "The Fireman" is a dramatic lesson in how not to fight fires.

The comedy films are among 160 movies, videotapes, slide presentations, and cassette programs Firestone uses to teach safe work practices to its employees. The Firestone safety film library is one of the most extensive of such libraries in the country.

"We use the comedy sequences most effectively by incorporating them into a presentation that might include a lecture, demonstration, discussion period, and follow-up quiz," Mr. Ritter explains.

The Firestone library was started during World War II. New material is regularly added as safety techniques improve and new forms of industrial accidents develop. Firestone produces many of its own movies, videotapes, and slides to cover problems peculiar to the rubber industry.

"Our goal is to improve employee safety," says Mr. Ritter. "We are not hesitant to try new approaches if they will prevent injuries and save lives. Even if it means laughing at Laurel and Hardy and Charlie Chaplin in the process." •

A Novel Way of Raising Medical Research Funds

Heart and cancer researchers are saying thank you to cigarette smokers who patronize four of Atlanta's most fashionable restaurants.

The restaurants—the Coach and Six, Brennan's, The Midnight Sun, and The Chateau Fleur de Lis—have doubled the price of cigarettes in vending machines, and the add-on is contributed to the American Cancer Society and Georgia Heart Association for research.

Harold Soloff, owner of the Coach and Six, launched the unique campaign about two months before he died of a heart attack in 1974. He had undergone open heart surgery in 1969. Mrs. Beverlee Soloff, his widow, continued the fund-raising practice and last year turned over some $5,000 to the heart and cancer groups.

Two prominent Atlanta physicians, Dr. J. Willis Hurst, ex-president of the American Heart Association, and Dr. A. Hamblin Letton, former president of the American Cancer Society, have endorsed the project. Both call attention to the need for more research funds to fight these two major killer diseases.

The four Atlanta restaurants are expected to raise $20,000 for heart and cancer research this year.

Meanwhile, the concept has caught on—restaurants in at least 20 other American cities are picking up research money from smokers. Mrs. Soloff hopes many more restaurants will do likewise.

"It is a simple program and entirely voluntary and flexible," she says. "From my personal experience, I can assure any restaurant owner that the reaction of customers will not be negative. In fact, the reaction is very positive."

Customers at the Coach and Six rarely balk at paying $1 for a 50-cent package of cigarettes, according to Mrs. Soloff. A sign tells them the reason for the higher price.

Dr. Hurst, chairman of the department of medicine at Emory University, recalls that Mr. Soloff frequently visited patients about to undergo heart surgery to encourage them. The doctor adds:

"What we need is more research, more ideas, and more money, and the world needs more people like Hank Soloff." •

A BICENTENNIAL SALUTE
TO AMERICAN CITIES:

KANSAS CITY

The Muse of the Missouri, a fisherwoman casting her net, is a downtown landmark.

Rebuilding for Progress

THE PEOPLE of Kansas City rarely speak these days of the famous figures who once lived there—figures ranging from Wild Bill Hickok and Jesse James to Boss Tom Pendergast and Harry S. Truman, from muralist Thomas Hart Benton to baseball's Casey Stengel.

However, the people speak often of a cluster of present-day movers and shakers, most of them businessmen and businesswomen, who have turned Greater Kansas City around as few areas have ever been turned around.

Many American cities have been rejuvenated with business people leading the way. Kansas City stands out because of the deluxe style in which the job is being done. Kansas Citians seem to follow the rule: Do the job right or don't do it.

Kansas City also stands out because it has had to contend with a particularly horrendous jurisdictional problem.

Two cities—and more

The Kansas-Missouri state line runs through the metropolitan area, creating two Kansas City's—the larger one in Missouri, with half a million people, the smaller one in Kansas, with about 170,000.

"We are devastated by a state line," says J. Harold Hamil, a member of the Kansas City, Mo., City Council.

Dealing with two state governments and the two cities' governments is tough enough, if you're trying to bring municipal progress. But Greater Kansas City also has 30 governments in independent suburban towns, and it has seven counties —Jackson, Cass, Clay, Platte, and

PHOTOS: JIM RICHARDSON

The Atkins Museum of Fine Arts and the William Rockhill Nelson Gallery of Art, which are housed together in a mansion that has a parklike setting, serve their city with distinction. Students and teachers of art make full use of the building. There is a collection of Chinese art unequaled outside China itself.

Greater Kansas City, at the junction of the Kansas and Missouri rivers, has been one of the world's great transportation centers since the heyday of the riverboat and stagecoach. Today's Kansas Citians are particularly proud of KCI airport, designed so that a passenger has to walk only a few paces both to check in and to catch a flight. Other forms of transport are also important to the area. The rail yards, for example, are among the nation's largest handlers of freight trains.

The cave at far left was created by limestone mining, and it is helping to create business for Greater Kansas City. The cave has been designated as a foreign trade zone and is used as a storage area. Foreign goods are brought there duty-free, and only when they are shipped out is duty collected. Such zones are of substantial value to U. S. companies.

Ray in Missouri and Johnson and Wyandotte in Kansas. Joint projects, obviously, are difficult to arrange because all sorts of laws, regulations, and taxing requirements must be complied with.

The situation isn't likely to ease, because people are constantly moving into the roomy, 2,768-square-mile metro area, which now has a total population of 1.3 million.

Easy on the passengers

Despite the necessity of dealing with varieties of red tape and political problems, improvements in the metro area are moving forward rapidly.

You sense that this is a turned-around town the moment you land at the bright, modern Kansas City International Airport. The airport, never called anything but KCI by the locals, is far enough north of the downtown section in Kansas City, Mo., that its activities bother few people. Yet KCI is close enough in that a taxi ride to downtown doesn't produce an empty wallet.

KCI is considered to be a model for airports designed to make things easier for passengers. No one walks a country mile to catch a plane. Instead, three adjoining terminals are laid in circular design, so that passengers have only a short walk between ground transportation and the gates where airlines arrive and depart. Several cities in the U. S. and abroad have adopted KCI's concept.

The local architectural firm of Kivett & Myers designed much of KCI, and several hundred local boosters had a hand in its development.

KCI is inside the boundaries of Kansas City, Mo., and it was paid for by that city. Mayor Charles B. Wheeler is fond of telling visitors that citizens voted 24 to one in 1966 to float a $150 million bond issue for construction of the airport. Another $100 million had been pumped into facilities by airlines, other private companies, and the U. S. Postal Service by the time the airport began operations in November, 1972. Since then, another $100 million has been spent. Biggest private spender: Trans World Airlines, which employs 10,000 people at KCI in a maintenance center and other operations.

When the decision to build KCI was made, Kansas City was slipping behind cities of comparable size in the quest for business investment. The airport's construction was perhaps the key move in the city's renaissance.

The small airport that then served as Greater Kansas City's airline terminal had obvious limitations in the jet age and with a growing number of flights. Aside from the fact that the airport could not expand because of its location along the Missouri River, there was always the fear that, someday, a big plane might slam into the top of the Muehlebach Hotel or some other building just across the narrow Missouri. There also was worry that TWA might shift its Kansas City operations to an eastern city.

Nurturing a boom

KCI's construction nurtured a boom that began with hotels and motels out near the airport. But they are only a small part of what has been happening in Kansas City.

New apartment houses, homes, schools, and hospitals have sprung up. So has a 140-acre amusement park called Worlds of Fun. Likewise, warehouses and several large office buildings in a revitalized downtown.

Crown Center, a total community development project which is a model of how to take a beat-up city area and turn it into a showplace, is under way. Also under construction is the H. Roe Bartle Exposition Hall, a 303,000-square-foot convention center.

A valuable addition to Kansas City commerce and industry has been the establishment of privately owned foreign trade zones—areas where foreign goods are brought in duty-free. No duty is paid until goods are shipped from the zones. An example of the zones' value to a business: Components of a product are imported, they are intermingled with American-made components, and a finished product is shipped out. Then, duty is paid—but only on the foreign components, saving the business the higher duty that would

Charles E. Curry, chairman of the Home Savings Association, is a veteran civic leader—he once was Jackson County, Mo., county executive. There has been great progress, he says, in Kansas City's economy.

One of the best-known Kansas City-based companies is H & R Block, Inc., the income tax experts. Here are the brothers who fit the initials—Henry (left) and Richard Bloch. They spelled the company name with a "k" because they felt many people would spell it that way, anyway.

Manufacturing executive Dutton Brookfield says Missouri business is at a competitive disadvantage because the state, unlike some others, has no right-to-work law that bans making union membership a condition of employment.

have been paid if an assembled product had been imported.

No one knows for certain just how much money is going into rebuilding whole sections of Greater Kansas City, but $5.3 billion is a reasonable estimate of the price tag for improvements in the past ten years. Much more will be spent. Ilus W. (Ike) Davis, a former mayor of Kansas City, Mo., and one of the first political leaders to acknowledge that there had been a slowing down of local growth, estimates that $7.5 billion in added income for Greater Kansas City has been generated by investment so far.

Do it ourselves

Another Kansas City mover and shaker, Dutton Brookfield, president of the Unitog Co., manufacturer of work clothing, estimates that more than 75 percent of the money spent on development in the area has come from private sources. Which means Kansas City's effort is a do-it-ourselves affair.

"It's pretty obvious not only that private enterprise is alive and well in Kansas City, but that it's downright prolific," says the present Kansas City, Mo., mayor, Mr. Wheeler.

Kansas City once was a cow town. The arrival of thousands of delegates, news people, and others for the Republican National Convention, which starts in Kansas City Aug. 16, should give the final blow to any notion that this is still the case. Cadillacs now outnumber cows in Kansas City, although the good steaks for which the city acquired a reputation decades ago still abound.

The convention will be held in the new $21 million, 17,000-seat R. Crosby Kemper, Sr., Memorial Arena, which is located in the middle of what used to be one of the world's largest stockyards. Animals are now fattened in other midwestern pens. One great reminder of the city's past is the American Royal Livestock Exposition and Horse Show, which for 78 years has been a showcase for purebred cattle, swine, sheep, and horses.

In Kemper Arena, the Republicans will temporarily displace the National Hockey League Scouts and National Basketball Association Kings, both of which are based there. The arena was financed mostly with a municipal bond issue. United Missouri Bancshares, Inc., Chairman R. Crosby Kemper, Jr., and his family donated land worth millions for the project.

Out on the edge of town is a complex of two more new stadia—a 42,000-seat baseball plant for the American League Royals and a 78,000-seat plant for the National Football League Chiefs. They make up the Harry S. Truman Sports Complex. It cost $71 million, including $2 million for a baseball scoreboard.

Formula: hard work

Kansas City's facilities for athletic events, conventions, and other meetings are the envy of other cities. Mr. Brookfield and Charles E. Curry, chairman of the Home Savings Association, were among leaders in getting municipal bonds floated to build the complex and in getting it built.

Much the same formula that other cities have used in generating interest and money for new buildings was used in Kansas City. The formula involved hard work by members of several organizations—principally The Chamber of Commerce of Greater Kansas City—plus the efforts of politicos on the municipal, county, state, and federal levels. A group composed of representatives of all local governments, the Mid-America Regional Council, coordinates plans.

Because of the success of the whole

Dr. Charles N. Kimball (left), Midwest Research Institute chairman, and Donald J. Hall, president of Hallmark Cards, Inc., spend many hours on Greater Kansas City problems. They meet often in Crown Center, a noted project of the Hallmark company.

Executive Vice President Richard K. Degenhardt of The Chamber of Commerce of Greater Kansas City is a career chamber executive who returned to his native Missouri in 1971 after running chambers in Colorado, Florida, and North Carolina.

Miller Nichols, chairman of a major real estate firm, J. C. Nichols Co., stands in the middle of State Line Road. His left foot is in Missouri, his right is in Kansas. Political jurisdictions in the Greater Kansas City area include two states, two major cities, 30 independent towns, and seven counties.

effort, the chamber and other business organizations now stand in highest regard.

Historic factors help

Three factors which date back to city fathers of earlier generations have helped speed the development process. Years ago, the timely annexation of outlying sections created room for growth by municipalities of the metro area. Later, came the installation of good public transportation systems. And finally, a network of wide boulevards was laid out. Good street transportation makes the traffic jams so common in other cities something of a rarity in Kansas City. Getting into the business sections over the boulevards is no great chore.

Good traffic arrangements were a persuasion in 1922 for creation of The Country Club Plaza, which Kansas Citians claim was the first suburban shopping center in the United States. The J. C. Nichols Co. set up the center, which has fountains, promenades, hotels, and premium office space in addition to shops. The Country Club Plaza, a few minutes' drive south of the main Kansas City, Mo., business area, is still growing. Every year, more trees are planted and new buildings appear. Chairman of the Nichols Co. today is Miller Nichols, another of Kansas City's movers and shakers.

Of much later starting date than The Country Club Plaza is Crown Center, pride of the Hall family. The Halls own Hallmark Cards, Inc., which is the largest hometown business in the area. As a closely held corporation, its dollar volume is not announced.

City within a city

Crown Center, a city within a city, will eventually cost about $350 million. It lies on the outer rim of downtown and covers 85 acres. Although a score of buildings and installations are already completed, the whole project won't be finished until 1985. It will then include two million square feet of office space; 2,240 rental and condominium apartments; the now-operating, 730-room Crown Center Hotel; two retail areas; cultural and entertainment facilities; and parking for 7,000 cars.

Trees, walkways, quadrangles, and fountains—Kansas City has more of the latter than Rome—soften the harsh lines of modern construction. To give Crown Center added identity, a 60-foot waterfall and huge garden are inside the hotel's lobby. Visitors aren't likely to forget seeing that.

Donald J. Hall, president of Hallmark—his father, Joyce C. Hall, founded the company and is its chairman—says that making over downtown should help accomplish "the return of leadership to the city. It will get more people involved in city affairs. Downtown is worth saving, and the job is well on the way."

Still another mover and shaker is Dr. Charles N. Kimball, who helped develop the prestigious, 31-year-old Midwest Research Institute, a nonprofit organization doing studies for industry, government, associations, and foundations.

Dr. Kimball has done considerable studying of cities, and he has headed several chamber of commerce groups working in behalf of Kansas City's growth effort. He likens a slowed-down city to a company that has fallen on bad times.

Prescription for progress

"In both cases," he says, "one of the first things to do is get a new head man. For the city, this means a new mayor. For the company, a new

chief executive officer. In the case of the company, some new members of the board of directors may be needed, and in the case of the city, new councilmen.

"Both cities and companies need new lines of credit. Cities and companies both need to quickly improve performances in order to catch the eye and fire the imagination. In the case of cities, new and better services must come quickly; in the case of companies, new services and better products. You can equate stockholders with voters, taxpayers with customers. All of them must be kept informed. The bad must be told along with the good. If you are caught holding back, progress will be slowed by lack of confidence.

"New laws for cities and new rules and regulations for companies are soon needed to keep affairs in order. Research and look-aheads are needed. Looking back helps, too, because both cities and companies need to know what they did wrong.

"Young people must be quickly involved, because they will be running the show themselves in a few years. Both company and city must have good health and education facilities, so that they can keep up their rate of progress.

"Also, both need images, and this is one thing that was wrong with Kansas City. It had none. Now we have a new one—the image of a big city moving ahead.

"Kansas City is proving that big cities are not ungovernable, not unmanageable, not unlivable as some cities are said to be."

Political cleanup

Before the municipal rejuvenation could get up a head of steam, Dr. Kimball says, remnants of the Pendergast political machine, which reigned in Kansas City, Mo., from the 1920's to the 1950's, had to be sent packing from various courthouse jobs. This was accomplished in the 1960's, he says, and since then politics have been cleaner and more productive.

Most of the movers and shakers have held leadership positions in The Chamber of Commerce of Greater Kansas City. The chamber's current president is Henry Bloch, who, with his brother Richard, runs H & R Block, Inc., preparer of income tax returns for millions. Years ago, they decided to spell their company's name with a "k" instead of the "h" in their family name because they felt clients would automatically think the name of the company was Block, anyway.

Controlled growth

Henry Bloch wants controlled growth for his city, "growth of our own choosing," he says. He sees "no advantage to bigness for bigness's sake." To help Kansas City achieve healthy, solid growth, Mr. Bloch and other civic leaders studied economic development programs in Jacksonville, Buffalo, Atlanta, Cincinnati, Indianapolis, Denver, and San Antonio.

Landmarks of new business investment in Greater Kansas City include Armco Steel's $78 million expansion of facilities; a modernistic 30-story City Center Square of offices and shops; Southwestern Bell Telephone Co. expansions of several varieties; and large additional facilities for J. C. Penney Co., United Parcel Service, The Mutual Benefit Life Insurance Co., and IBM. New agribusinesses have been set up, adding to the multibillion-dollar food business already conducted in the area. Six major medical installations costing about $160 million are being completed.

There is increasing business activity in the foreign trade zones. There are several in Greater Kansas City. Two are located in caves 140 feet beneath the earth's surface, a few miles from the center of the metro area. The caves were created by limestone mining, and provide inexpensive, enormous storage areas. Networks of roads and railroad tracks wind through them. Occasional underground traffic jams show how busy everyone is down in the snow-white caves.

A huge assortment of goods come

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The dangers of speculative investment.

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Are you a pragmatist . . . and should you be?

How your memory affects decision making.

Way to cut down on routine tasks.

How to get rid of "warm-up" writing.

The positive response to fear of failure.

Fitting discipline to the offense.

How to prepare for "spontaneous" conversation.

Stay involved, the road to happy retirement.

Analyzing your own job performance.

The technique of persuasive presentations.

Know when self-confidence is lacking.

Re-charging the batteries via the right vacation.

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Ways your strengths can defeat your weaknesses.

The art of being a good questioner.

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Strikes by "essential public servants" anger Democratic Mayor Charles B. Wheeler of Kansas City, Mo., scene of several municipal walkouts. Mr. Wheeler expects to run for a U. S. Senate seat.

Mrs. Joanne M. Collins is one of four Republicans on the 12-member City Council in Kansas City, Mo. Every Saturday, Mrs. Collins conducts a "black city hall" in a downtown building and hears both complaints and compliments from constituents.

Michael T. White, county executive of Jackson County, Mo., is eager for more business investment in his county. It is business, he says, that provides needed money for public services. One of his predecessors in his job—the title was judge, then—was Harry Truman.

in from abroad to be temporarily stored there.

Kansas City has enough diversification in its economy to give it good protection against boom-and-bust cycles. According to the chamber of commerce, 24 percent of those employed in the area are in wholesaling and retailing; 18 percent in manufacturing; 17 percent in services; 14 percent in government; eight percent are self-employed; eight percent are in transportation and utilities; six percent in finance, insurance, and real estate; and one percent in agriculture.

Second to Detroit

The ten largest private employers are Trans World Airlines; General Motors; Hallmark; Bendix; Western Electric; Ford; Armco Steel; Sears, Roebuck; Southwestern Bell; and Montgomery Ward. As the presence of GM and Ford in that list indicates, Greater Kansas City is big in U. S. auto and truck manufacturing—second only to Detroit, as a matter of fact. The area has two GM plants and a Ford plant.

The black population of the area is 13 percent, close to the national percentage. Joanne M. Collins, a member of the Kansas City, Mo., City Council, often speaks for the black community. "Being a black woman in politics in Kansas City is a wonderful thing," she says. "I'm one of the very first of my kind." Mrs. Collins has both white and black constituents. To keep in touch with blacks, she conducts "black city hall" every Saturday in a downtown building. There, she listens to complaints and a goodly share of compliments for herself and the city.

Race relations are better than in many big cities, though there has been some controversy over busing in the Kansas City, Mo., school district—one of 13 such districts in the area. There has been no violence of consequence, however.

Meanwhile, the Health, Education, and Welfare Department in Washington has claimed that there is not enough desegregation in either the Kansas or Missouri school districts in the metro area.

Several thousand families of Mexican origin live in the area, and as a result, several schools are bilingual. This has spawned controversy, too—there are those who want to abolish Spanish-language classes and others who want to extend the system.

Labor friction

Speaking of controversy, it has been far from absent in Kansas City where organized labor is concerned. Although the construction unions, which tied up many projects in the area four to six years ago, have had pretty much of a no-strike record since then, other unions have been off a variety of jobs. Recently, striking members of the Kansas City Philharmonic Orchestra returned to work. Kansas City, Mo., firemen and teachers also are on the job after walkouts.

A drive is under way to make Missouri a right-to-work state, a move sure to generate controversy.

The area has not always had honest, conscientious politicians. Kansas City began life as a fur trading post in 1821 when Francois Chouteau came down the Missouri River and saw value in locating at the Missouri's junction with the Kansas River. For much of the time in the early years, politics were scary. Boss Pen-

dergast's machine was one of the more notorious latter-day groups to operate in the metro area.

In harmony with business

Politics now appear to be a brighter spot. An important factor of recent years has been cooperation and a pleasant relationship between politician and businessman. Jackson County, Mo., County Executive Michael T. White gives one indication of why this came about:

"I'm not as liberal as I once was. It's hard to remain liberal after you have worked on a big county budget. I've had to drastically cut expenses and whack out worthwhile programs. This is partially because the tax base for the county is too dependent on property taxes. Income from property taxes goes up slowly, while county expenses rise rapidly. Something has to give, in such a situation.

"What we need are more businesses. Business is where the money comes from. You bring in new businesses, and they affect housing, retailing, the professions, politicians—everyone, everything."

One of Mr. White's predecessors on the job, by the way, was Harry Truman—in days when the job carried the title of judge rather than county executive.

There is grumbling among nonresidents of Kansas City, Mo., over taxes that must be paid on income earned there. One percent of the salaries of people who work there but live elsewhere in the area is withheld for Kansas City, Mo. In addition, these people pay the usual sales tax on items purchased in the big Missouri city.

A city of surprises

Kansas City is a city of surprises for many visitors. Those underground storage areas are a surprise. So are the glistening sports stadia. Discovery that the cow is no longer king in Kansas City is a surprise. Finding scores of lovely fountains is also a surprise, and so is the fact that this metropolitan area in the Great Plains is so hilly.

The biggest surprise for some people is what's inside a mansion near the downtown area. The William Rockhill Nelson Gallery of Art and the Atkins Museum of Fine Arts are housed together in the building. Some visitors just don't expect to find magnificent paintings, figurines, tapestries, plates, porcelains, and armor in Middle America.

These works are there, though, in a citadel of culture which any city—New York, London, Rome, Paris, Moscow—would be happy to have.

And when some visitors learn that the finest collection of art objects from China, outside China itself, is in the mansion, they really are bowled over.

But, there the collection is. The historic art work makes a fine counterpoint for all of the new aluminum, cement slab, and glass buildings that dot the city. END

Old Values Produce Success

BY CHARLES A. CERAMI

Elvin Graves presides over a rural business empire that extends from apples to autos, from innkeeping to real estate

ELVIN GRAVES works in overalls. On a typical morning, he'll drive in a load of feed, then take a hand at preparing cattle for market. Later in the day, he'll work with a group of men repairing a barn. By suppertime—in fresh overalls—he'll be waiting on dining tables.

In spare moments, Mr. Graves thinks a lot about the state of the economy, the relative prices of consumer and industrial goods, and U. S. trade relations with foreign countries. Mr. Graves is a millionaire several times over and head of a family that has enough enterprises to qualify as a baby conglomerate.

The firm of R. S. Graves Bros. has been the mainstay of Syria, Va., for many a year. It is among the largest apple growers in Virginia. The Graveses' holdings of farm acreage and hilly timber land have been extensive for as long as anyone in their quiet valley can remember. And generations of Graveses have dabbled in innkeeping by accommodating occasional guests at the family's farmhouse.

But Elvin Graves has been forced by the times to strike out in new directions. He has done it without giving up old ways or values. While families all around have dropped out of farming, the Graveses have greatly expanded their holdings of land; but they have also moved into other lines that produce a faster flow of ready cash. At 71, the husky patriarch enjoys the prospect of coping endlessly with modern challenges while living the country life that so many Americans now look to with envy.

Drive two hours to Syria from the nation's capital, and you are remind-

for a Family Business

PHOTOS: MAGGI CASTELLOE

ed that much of U. S. business activity takes place away from the cities. Only four percent of our population lives by farming, the statistics show. However, even in a nation that seems to be covered with metropolitan centers and the superhighways that link them, 98 percent of America's land area is rural, and a good fourth of the people live in small or even tiny towns.

Syria has only one merchandiser—a general store with a post office tucked inside and gas pumps out front. But Graves ingenuity makes the town the corporate headquarters of enterprises that spread out for miles.

Branching out

"The family had been living in Syria for well over a hundred years," says Elvin Graves, who is known as Mr. Jack, for obscure reasons. "At least four generations of Graveses had let travelers stop to change horses, rest, and have a meal, because this quiet road we are on was a busy one in old times. But I started making the guest business more of a regular thing when I realized that farming alone wouldn't always bring in enough cash to let us hold on to our property.

"Then, when my son Jim said he'd like to build up even more of a restaurant, I told him to go ahead and try. It seemed crazy to a lot of people, because the modern main roads had been put in other places and hardly anybody came this way. But people seemed to hear about us."

Jim and his wife, Rachel, did so well that they were able to put up a modern building called Graves

Mountain Lodge ten years ago. The property it's on cost the Graveses $2,415 and is now valued at $297,000. The lodge did $10,000 a year worth of business at first. Now, it grosses more than $250,000.

What brings so many guests is a policy of serving high-quality food in family style, on an all-you-can-eat basis, at low prices. The menu is kept very much the same: Regulars can count on trout Friday night, steak Saturday night, fried chicken for Sunday's noon meal, and Virginia ham at Sunday supper. These simple meals attract many city people who want a change from food chains or pretentious restaurants.

As the lodge gained in reputation, more diners asked about overnight accommodations. So the family gradually turned several existing dwellings that dotted the property into guest quarters. Later, a motel-type building was added at a cost of $150,000. Then, an Olympic-sized pool was put in.

Nothing but the best

Although the guest quarters' plain wood walls are unpretentious, Mr. Jack says he is determined that every bed and mattress be of the finest quality and that each bathroom have the best equipment suitable to its size and type. He has a young space scientist to help him accomplish this.

Bob Camper, from nearby Orange County, graduated as a specialist in astronautics at a time when space engineers were finding the field on the wane. Bored by routine engineering jobs available at major companies, Mr. Camper accepted a job offer from the Graves family. Now, he runs heavy equipment and supervises carpenters and other workers in new construction and repair jobs.

Some years ago, a children's summer camp was added, and more recently, an annual basketball camp was launched. Jim Graves heads the camps, but a college coach and staff are brought in to handle the basketball instruction.

While these related ventures were developing, another of Mr. Jack's sons had been installed in a totally different line. A Chevrolet dealership near Madison, Va., had come up for sale. A man can own a million dollars worth of land and still find it hard to produce liquid cash. But Mr. Graves came up with the needed amount, and his eldest son, Elvin, Jr.—called Young Jack—took over management of the family's automotive division.

There is a real estate operation, too. A separate company sells three-to-five-acre lots, and business has been very active in a period when so many people long for a retreat of their own and for property which might be a hedge against inflation.

No need for want ads

All these enterprises push the number of employees to considerably more than 100 at times. They include high school and college students who come to work during the summer season. "We never have to advertise for help," Mr. Jack says. "They hear about us some way or other. I got more than 60 applications last year, some of them from California."

Farming is still the mainstay. R. S. Graves Bros. sends apples to points as distant as Florida and Texas. Through a food broker, it sells to major canners and juice makers. Some 100,000 bushels are put in cold stor-

Above: Millionaire Elvin Graves is in the doorway of his apple company's warehouse and cold storage building. Below: He serves an all-you-can-eat breakfast—bacon, eggs, French toast—to Graves Mountain Lodge guests.

A Bicentennial Salute to American Business

(Trumpet fanfare)

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This has been a presentation of the Chamber of Commerce of the United States

in celebration of America's Bicentennial.

This is one of a series of educational public service messages being shown on television across the nation. They are based on articles which appeared in Nation's Business.

Elvin Graves's oldest son, Elvin, Jr., runs the family automotive division, a Chevrolet dealership. Here, Young Jack, as he is called, talks things over with his dad.

age each fall, so there are apples year-round at Graves Mountain Lodge. Breakfast often starts with apple juice, and most meals include baked apples, apple butter, and apple sauce. In summer, other orchards produce a large peach crop. Then, guests at the lodge get fresh peaches in many forms, while Graves trucks loaded with bushel baskets of the fruit take to the road.

Cattle, sheep, and hogs round out the farm operation. The Graveses have 1,400 head of cattle. Once, all were black Angus, but it was found that white Hereford bulls bred to Angus cows produce calves with smaller heads, reducing birth problems. Cattle are sold directly to packers as finished beef.

Struggle for survival

The vagaries of farm prices make living off the land a precarious business. In 1973, for instance, wool was up to $1 a pound. Now, the Graveses can get only 40 to 50 cents for the wool they market through a cooperative.

"We have to keep and feed these sheep a whole year between shearings," explains Jim Graves in a barn down the road from the farmhouse. "Those hired hands running the shearing clippers have to be paid $1.25 per sheep, which is up from 75 cents two years ago. We'll get eight to nine pounds of wool from each sheep—$3 to $4 worth, at best. Only the fact that some lambs are slaughtered young for meat keeps us in this business. You certainly couldn't survive on wool."

His father adds: "Sometimes you can hardly survive on anything. I've seen years when I had to sell timber off parts of my land. That has pulled me through a few bad times."

Yet, while many other farmers grumble that the U. S. government should bar foreign lamb and other farm products from the country in order to protect domestic producers, the elder Mr. Graves sees both sides of the picture. Mr. Jack, who has made numerous trips abroad to pay return visits to 4-H groups that had earlier come to his home, says:

"Washington has to think about those other American businessmen who make machinery and other stuff they want to sell to New Zealand, for instance. They can't shut the door on New Zealand's lamb and still expect those fellows to have the money to buy our machines."

Costs go higher and higher

What is less bearable, even if the causes are also understood, is the implacably high price of everything a farmer must pay for. Beef can plummet 50 percent, but the cost of taxes, equipment, and supplies keeps moving up. After a recent county reassessment—by a commission that Mr. Jack himself headed—the Graveses' taxes nearly tripled.

"And do you know that a farm tractor costs between $16,000 and $20,000?" Mr. Graves asks. "Most city people are pretty darn surprised about that. In fact, I heard about a city fellow who got his Cadillac stuck in the snow last winter. A farmer was trying to be helpful and started hitching his tractor to tow him out. 'I don't know if I ought to let you use a tractor on this $7,000 car,' the driver says. So the farmer steps down and unhitches. He says: 'Is that all she cost? Guess I'd better not waste my $20,000 tractor on her, then.' "

Fertilizer has more than doubled in price in the past two years. Bail twine that used to be $6.50 is nearly $20 now.

"Costs eat you up," Mr. Jack says. "So a lot of people around here have been forced out of the farming business. I'm going to stick it out—but only because we've got enough other things to lean on."

Everybody pitches in

An outstanding feature of the whole Graves operation is an unspoken rule that everybody on the team does whatever needs doing, regardless of rank.

As hungry people come off a tourist bus and crowd up the steps to the

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lodge's scenic dining room, Young Jack, the Chevrolet dealer, may be working in the kitchen, his dealership duties over for the day. His wife will be waiting on tables.

Jim Graves is likely to be at the head of the stairs, directing people to tables. At that point, his father takes orders from Jim and shows people to the seats indicated. A bit later, he'll be directing young waitresses to bring more chicken to this table and a glass of iced tea to that lady, and to go for another dish of green beans. Then, as the diners finish, Mr. Jack helps clear off the plates and get the table ready for other guests.

Mr. Jack is the most evenhanded of bosses. He rates people solely on performance. Needless to say, a millionaire busboy isn't about to look down on somebody because he happens to be doing a lowly chore at the moment.

Confidence in the future

A visitor tells Mr. Jack: "I've never seen anything like the way everybody helps pull the load around here. I guess it won't be long before your two-year-old grandson will have to start producing."

"Not just yet," Mr. Jack smilingly replies. "But my bigger grandson, Keith, already feeds three barns every morning before he goes to school."

The Graves family relies on sons to carry on in the future. Mr. Jack is not the kind to speak glowingly of that future. But his steady look gives an extra dimension to the comment, "I guess we'll make out somehow." He has bucked enormous changes wrought by recession, shortages, surpluses, and inflation.

He knows enough about succeeding to realize that even success brings new dangers.

Already, some of the problems of bigness are upon him: An avid fisherman with an expensively furnished fishing retreat on a remote lake he owns, he deeply regrets that after cooking fresh trout for 62 years, he must now serve frozen fish to his customers. The number of dinner guests has grown so large that nearby streams are insufficient to supply them. END

PERSONAL FINANCE

Common Mistakes That Can Erode Your Estate

BY WILLIS ALEXANDER

Have you substituted joint ownership for a will? Chosen the wrong executor? Underestimated values? Here is advice that can benefit your heirs

A SIMPLE MISTAKE while you are here can cost your family dearly when you head for the hereafter.

What kind of mistake?

A survey of bank trust officers by the American Bankers Association reveals some of the common and costly errors people make when they plan to pass their assets on to their families.

Estate planning is a complex, individual affair, the association points out. Furthermore, estate laws vary widely from state to state.

However, the following typical but fictional cases demonstrate how apathy, bad judgment, and ignorance of the law can deplete your estate.

• **The classic blunder: no will.** Fred Watson was hardworking but always postponed unpleasant tasks. He died leaving a $150,000 estate but no will. So the state, by law, stepped in and dictated exactly how the $150,000 was to be distributed.

His wife got $50,000, his married son in medical school got $50,000, and his 14-year-old daughter got the remaining $50,000. That's not the distribution Fred would have wanted. But when anyone dies without a will, the state, in effect, writes one for him.

Update will

The state follows a legal formula which the legislature believes best fits the average situation but may not best fit yours.

In some states, the widow's share is equal to a child's share. If there are five children, the widow gets only one sixth of the estate. Under those laws, an elderly widow may have to look to her children for support.

• **The unprepared spouse.** Bob Andrews was his family's sole breadwinner and finance manager. He shielded his wife, Carole, from the details of handling bank accounts, making decisions on their stock transactions, or dealing with the bank on personal and mortgage loans. She never met Bob's attorney, accountant, insurance man, or banker.

Carole had only a vague notion of her own family's business affairs. So she was unprepared to handle them when Bob died and left her a substantial estate.

In addition, she was a spendthrift. Bob had simply given her a weekly allowance, and she had never learned the value of money. In her grief and naiveté, she turned to friends and relatives for advice on handling her inherited estate. The vacation home she bought was involved in a land development fraud. The stock recommended by a relative plummeted. She spent some of the cash that should have paid for her son's college education.

Bob could have prevented tragedies like this. If he had established a rapport between his wife and his attorney, accountant, and banker, she could have turned to them for professional guidance as soon as Bob died.

Also, Bob should have left her a detailed letter of in-


If no will, the law decides

struction telling her where to find all his important papers and directing her to contact the experts on whom he had relied. Probably, they would have turned her off the real estate deal, told her to employ a bank to manage her stock portfolio, and helped her set up a trust fund to ensure that her son got an education. In addition, they probably would have put her on a regular monthly income that would have conserved her legacy.

• **No ready cash.** Dick Byron didn't like loose ends in his business arrangements. His estate plan was almost a work of art. He had a detailed will, a comprehensive trust fund, and plenty of life insurance with his estate as beneficiary.

Every part of his estate was accounted for and designated for his wife and children. But that was his big mistake. Everything was tied up in his estate.

He died, his estate ran into some snags in probate court, and his executor was too ill to settle the estate promptly. In the meantime, Dick's family was virtually destitute. They had to borrow money to pay funeral costs, taxes, administration fees, debts, and expenses of daily living.

Most states provide statutory allowances for this kind of dilemma, but you can never count on it.

Dick had overlooked the common problem of liquidity after death. He should have made sure his wife had a bank account in her own name, held some assets like U. S. savings bonds that she could cash in easily, or had a life insurance policy that paid benefits directly to her.

• **The too-rigid will or trust.** Andy Fisher was a strong-willed man who thought he knew what was best for everybody. He wrote an ironclad will and trust agreement with severe restrictions for the use of his after-death estate.

These documents were inflexible. They gave his trustees little discretionary power to do what they thought was right when family situations changed and business took unpredictable turns.

The rigid restrictions hurt Andy's heirs. A married son, who could receive only income on a trust fund, but none of the principal, needed heart surgery and was out of work for three years. The trustees had to go through court to give the son any of the principal. The son and his family suffered because the trustees, who were paid for their experience and judgment, were shackled by a document that could only be altered by court order.

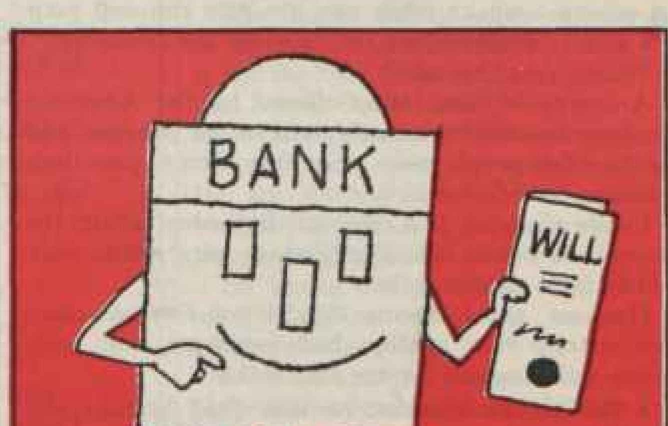
Andy also gave his wife $200,000 with the stipulation that the money always remain in railroad stocks. The trustees weren't able to exercise their own discretion and invest the money in more lucrative stocks without changing the will by court order.

• **Paying unnecessary taxes.** Ken Cummings liked to keep his life simple and uncluttered by detail. So he never bothered to learn the various options available when he planned his estate. He simply left a will which said, in effect: "I leave everything outright to my wife."

When he died, his $300,000 estate was subject to federal estate taxes of $17,900. That left Barbara Cummings $282,100. She managed to live on the income from the fund, not touching any of the principal. When she died and passed on that $282,100 estate to her children, it was taxed at $75,330. In other words, the estate was taxed twice.

There's a way to avoid that.

Ken should have consulted an attorney or bank trust officer. They could have shown him how to put his assets in two trust funds. That makes it possible to cut federal estate taxes by taxing one portion of the estate at the husband's death and the other portion when the wife dies. The result: Two taxes at low rates



Let experts help

and savings that typically amount to 12 or 13 percent of a family's accumulated capital.

If Ken had used the twin trust route, his children would have received $39,430 more than they did.

• **Joint ownership: no panacea.** Bill and Linda Rogers had some vague idea that joint ownership of their house, bank accounts, and stocks was a form of protection. They had been told that joint ownership of property eliminates the need for probate court and reduces legal fees. The survivor, they had been told, immediately becomes sole owner of the property.

Like many people in this country, Bill and Linda used joint ownership as a substitute for a will. That's a potentially serious mistake.

Joint ownership has disadvantages as well as advantages for married couples. Here's how joint ownership backfired in Bill and Linda's situation.

They had no children but made a home for Linda's father. In earlier days, Linda's father had sacrificed enormously to send both Bill and Linda through college. The young couple had agreed that the father could live with them for the rest of his life.

Bill and Linda were both fatally injured in a car accident, but Bill survived his wife by a few days. Thus, ownership of everything passed to Bill, then on to Bill's relatives—nieces and nephews—when he died. Result: Linda's father was left without support or a place to live.

A will, rather than joint ownership, could have prevented that from happening.

• **Selecting the wrong executor.** Dave Conner was noted for his loyalty to friends. In his will, he named his best friend as executor of his estate. This proved a mistake, with troublesome results for Dave's family.

The executor was a professional artist with no real business experience, and he traveled constantly.

When Dave died 30 years after his will was written,

Unnecessary taxes


No ready cash

the executor simply couldn't manage the property and distribute it according to the terms of the will. He was old and in poor health, lived 1,000 miles from Dave's family, and couldn't escape his own problems long enough to accomplish the job. For one thing, he botched the job of completing and submitting federal estate tax forms, and this alone delayed settlement of the estate by six months.

Dave should have selected his bank as executor and perhaps his wife as coexecutor, so she could help in the more personal aspects of settling the estate. Banks are experienced executors, and they are permanent. They won't move away, become ill, or die.

• **Ignoring professional help.** John Norwell was a do-it-yourselfer and tight with his money. He read books on estate planning and took free advice from his friends.

He wrote his own will and changed it several times over the years. When he died, his estate was totally disorganized.

Because he didn't observe several legal formalities, his will was declared invalid.

The state appointed an administrator who disposed of the estate in a way that would have appalled John. John had special ambitions to send his children and one of his grandchildren to college.

Those ambitions were never realized because the money went elsewhere.

John's family would have fared much better if he had consulted a bank trust officer about tax-saving trust funds for his offspring, written his will with the help of an attorney, and talked to his insurance man about the right type and amount of insurance that would meet his objectives.

• **Underestimating your estate's value.** Ten years ago, Jerry and Kathy Costello figured the worth of their estate at about $110,000. They knew that federal

estate taxes don't apply until a married couple's estate reaches $120,000, assuming they leave everything to each other.

So the Costellos concluded they didn't have to worry about the problem.

In the years that followed, Jerry was promoted several times, and his income increased substantially. Also, his stake in his company profit sharing and group life insurance became more lucrative. The home he bought in 1955 for $20,000 rose in value to $85,000. His stock investments also appreciated.

In addition, when the Costellos estimated the estate's worth ten years ago, they made the very common mistake of not including the face value of Jerry's personal and company insurance policies. Such policies are included in taxable estates.

Jerry died last year without plans to prevent the tax erosion of what had become a $400,000 estate.

He should have tallied up his net worth every year or two, consulted with his attorney, and worked with a bank trust officer to plan the best way to pass his assets on to his family.

• **Failing to update your will.** Fred Lake, an oil company executive, was more conscientious about his job than his personal business. He made his will in 1940. Later, three important things happened. He was promoted and transferred to another state. Several new estate tax laws became effective. Finally, his wife had another child.

Fred never updated his will to take these changes into account.

After his death, his will, once perfectly legal, was declared invalid in the state where he died.

There were a number of flaws in the will besides its failure to include one of his children. Nine states, for example, require three signed witnesses to a will; the other 41 require only two.

Fred had a two-witness will, but he died in a three-witness state.

He had also named a friend in New York as his executor. The law of the state in which he died said that only residents of that state or close relatives could serve as legal executors. His family ended up with a court-appointed administrator—in this case, Fred's widow, who happened to be very poor at handling business matters.

In an increasingly mobile society, with increasingly complex probate laws, it becomes more and more important to update your will and trust agreements whenever you have a change in family circumstances, move from state to state, or learn of changes in the law.

As one professional estate planner puts it: "Estate planning is like life itself—continuing, changing, dynamic. A man who seriously sets about an estate-planning program can never say his work is done." END

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KEY
R-Regional
IE-Industrial Edition

By GROVER HEIMAN, Associate Editor

BUSINESS: A LOOK AHEAD

How Environmental Programs Affect Unemployment

Cleaning up the environment creates more jobs than unemployment, according to the Environmental Protection Agency.

Deputy EPA Administrator John R. Quarles, Jr., bases that assessment on a new report of economic dislocations resulting from antipollution measures taken by industry. Many of the measures were taken to comply with government directives.

An EPA survey found that, from January, 1971, through last September, closings or curtailment of production occurred at 75 plants and resulted in loss of 15,700 jobs.

By contrast, Mr. Quarles says, environmental legislation has spawned an industry employing 1.1 million workers. He adds that business spent $15.7 billion on antipollution devices last year.

Federal grants alone, Mr. Quarles concludes, have more than made up for the lost jobs. Since 1971, EPA grants to state and local governments have totaled $3.6 billion. EPA officials figure that each billion dollars created 20,000 construction jobs plus 20,000 jobs in supporting industries.

"By the most conservative estimates," says Mr. Quarles, "grants made in the past year will generate well over 100,000 jobs."

However, the American Paper Institute points out that environmental programs also eliminate productive employment. API says 63,000 permanent jobs that would otherwise be created in the paper industry in the next eight years will not materialize because steep advances in environmental outlays as well as other rising capital costs will curb investment. Testifying before the National Commission on Water Quality, an API representative noted that those 63,000 jobs multiply to 440,000 when the full impact of the investment curbs is felt.

API says the paper industry's costs of meeting 1983 federal environmental requirements alone will be $12 billion—which is more than is invested now in primary papermaking facilities.

NLRB Seeks Advice on Streamlining Its Procedures

Faced with the prospect of a case load "which will soon tower over this agency and threaten its effectiveness," National Labor Relations Board Chairman Betty Southard Murphy has called for outside assistance.

She has named a 26-member, blue-ribbon task force to begin a two-year study designed to update and streamline the rules and regulations that govern the board's activities.

The task force is composed of experts nominated by government, business, labor, bar associations, and NLRB. The experts will evaluate NLRB procedures, but will not deal with substantive issues concerning the National Labor Relations Act nor with development of further laws.

More Aid Proposed for Small Business

Aid to small businesses would increase in the coming fiscal year, under the Ford administration's proposed fiscal 1977 budget.

A ten percent reduction in the Small Business Administration's direct loan fund is being requested. However, the administration wants the overall SBA loan program, most of which involves government guarantees to lenders rather than direct loans to business, increased by 28 percent. The funds would aid 34,000 small firms in the year beginning Oct. 1, compared to 28,000 in the previous full fiscal year.

The administration is also proposing that the lower tax rate now in effect on annual corporate profits below $50,000 be retained. At the same time, the administration is urging a reduction in the tax rate on corporate profits above $50,000 from 48 percent to 46 percent.

In addition, the administration is proposing deferral of estate taxes in order to ease the dislocation these taxes cause small businesses and farms.

OSHA Gears Up for Stiff Safety Drive Next Month

Three industries, beginning next month, will become the focus for a special safety drive by the Occupational Safety and Health Administration.

OSHA selected the three industries in a program aimed at reducing job-related deaths, injuries, and illness. Other industries which OSHA designates as high-hazard will be singled out later.

First on OSHA's list are the iron and steel foundry industry; aluminum, bronze, brass, and copper casting; and metal stamping. From two to four additional industries will be chosen by midyear and a like number a year from now.

OSHA officials are making selections on the basis of rates of death, injury, and illness; of employee exposure to toxic substances; of the existence of stable, enforceable safety standards; and of geographical concentration.

In considering other industries for extra attention, OSHA has been earmarking them with the government's standard industrial classifications. Industries now on OSHA's list as candidates for its special safety drive include:

Miscellaneous transportation equipment (standard industrial classification 379); water transportation (SIC 446); roofing and sheet metal (176); fabricated structural metal products (344); partitions, shelving, lockers, and office and store fixtures (254); millwood, veneer, plywood, and prefabricated structural wood products (243); ship and boat building and repair (373); sawmills and planing mills (242); heavy construction (162); and miscellaneous special trades such as structural steel erection, wrecking and demolition, and excavating (179).

GAO Backs Renegotiation of Government Contracts

There is no substitute for renegotiation of defense contracts if the government is to forestall excessive profits for contractors. That is the advice of the General Accounting Office.

"Good procurement procedures will not necessarily prevent excessive profits," GAO says.

GAO made the statement in a report on a review of excessive profit determinations involving 526 contractors during fiscal years 1970-73. The determinations were made by the Renegotiation Board.

"Excessive profits were not caused to any great extent by inadequate procurement procedures or poor implementation of procedures by government procurement officials," GAO said.

What GAO found was that most of the excessive profits were caused by a seller's market, which lessened competition and let prices rise. When volume rose, unit production costs frequently dropped and profits increased.

Most of the 526 contractors had annual sales under $10 million, did the bulk of their business with government, made relatively low-technology items such as clothing, and used government-furnished facilities or material.

There has been a growing clamor to disband the Renegotiation Board [see "Business: A Look Ahead," NATION'S BUSINESS, February, 1976]. Opponents of the board say that the agency, created during the Korean war, is no longer needed.

Congress is considering extensive changes in the Renegotiation Act of 1951, under which the board was created. The Renegotiation Act is now scheduled to expire Sept. 30, and Congress must decide by then whether to keep the law as it is, amend it, or let it expire—which would put the Renegotiation Board out of business.

Big Year Possible for Farm Output

Drought conditions in some parts of the nation make it difficult to predict 1976 crop plantings, but the latest Agriculture Department estimates indicate a banner year for crops. The department says plantings of the four major feed grains—corn, sorghum, barley, and oats—will require 126.1 million acres in 1976, a three million acre, two percent increase over last year. Corn plantings will be up four percent to 80.8 million acres, the biggest corn acreage since 1960.

Also, the department estimates that durum wheat plantings will be up 400,000 acres, or eight percent, and spring wheat up 700,000 acres, or five percent. Cotton plantings are expected to increase 17 percent over last year. Soybean plantings, however, are slated for a decline of seven percent, with north central farmers turning to corn and southern farmers to cotton.

School Is Planned to Improve Federal Buying Practices

Plans are under way to establish a federal institution of higher learning to improve government buying practices.

The school will be part of the Federal Procurement Institute, which is now being organized as an outgrowth of recommendations made by the Commission on Government Procurement.

Hugh E. Witt, administrator for federal procurement policy in the Office of Management and Budget, says that the administration hopes to have the institute organized and staffed by next fall.

The institute will operate a residential academic school that will offer courses to prepare military and civilian government personnel for top-level buying positions.

EDITORIAL

Making Your Voice Heard in Washington

MEMBERS OF THE BUSINESS COMMUNITY who feel they can't make their voices heard in Washington can take heart from the outcome of the long controversy over common situs picketing legislation.

Strong leadership of the Chamber of Commerce of the United States and other business organizations turned an apparent major victory for big labor into a classic demonstration of what business people can accomplish when they join forces and fight.

For nearly a quarter century, one of the unions' principal goals has been the legalization of secondary boycotts in the construction industry. Common situs legislation would enable a union with a real or imagined grievance against a single employer to shut down an entire project where many employers have crews working.

Union leaders watched gleefully as the picketing bill moved through Congress late last year and was sent to President Ford, who had said he would sign it.

In addition to the picketing authority, the bill contained other provisions that supposedly would improve labor relations in the construction industry. Those provisions had been worked out by administration strategists and sponsors of the bill to win support of business, as well as labor, and make it politically safe for the President to sign the legislation.

Neither the National Chamber nor its allies in the fight were fooled by that creaky political gimmick of offering something for everyone.

National Chamber President Richard L. Lesher told President Ford in a letter: "If the building trades unions are given the secondary boycott power . . . we can see no result other than a decrease in productivity and efficiency."

Dr. Lesher urged the President to reconsider his decision to sign the bill.

In addition, the National Chamber urged its members several times over a period of months to express their continuing opposition to the legislation.

President Ford himself gave an indication of the success of the business community's efforts. Asked at a news conference how his mail was going on the issue, he replied: "The last count showed something like 620,000 communications against the common situs picketing bill and something less than 10,000, as I recall, for it."

Early this year, the President reversed himself and vetoed the bill.

Dr. Lesher spoke for the business community when he said the veto was "in the overwhelming best interest of both union and nonunion workers and the economy as a whole."

For all members of the business community who rallied to make their views known, it was a job well-done.


After all I'd heard I decided to either quit or smoke True.
I smoke True.
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100's
King Regular: 11 mg. "tar", 0.6 mg. nicotine, 100's Menthol: 13 mg. "tar", 0.7 mg. nicotine av. per cigarette, FTC Report Nov. '75.
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